Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.900	Israel	Shk4.00	Philippines	Pso40
Belgium	BFr60	Italy	L2200	Poland	Zl 9,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es165
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.60	Kuwait	Fils.500	S Arabia	SR8.00
Finland	FM8.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr7.00	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malaysia	M$4.25	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft120	Neth	Fl 3.50	Thailand	Bht30
Iceland	IKr150	Nigeria	Naira12	Tunisia	Din0.800
India	Rs20	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

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Monday January 7 1991

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Page 9

World News

Foreigners evacuated from Somali capital

More than 400 foreigners trapped in the Somali capital Mogadishu since fierce fighting between government troops and rebels began a week ago were evacuated by an Italian and American rescue operation.

But efforts to save more foreigners, including 50 Italians caught up in the violent outbreak of clan warfare, failed. Page 10

'Keep quiet' order

President Carlos Menem of Argentina demanded an end to public statements by three former generals he freed last week from prison, where they were serving lengthy sentences for human rights abuses. Page 2

Turkish clampdown

Turkish security forces backed by water cannon and bulldozers halted almost 50,000 striking coal miners on a 250 kilometre march to the capital Ankara.

Seine bursts banks

Heavy rain caused the river Seine to flood parts of central Paris, forcing the closure of the riverside left bank motorway.

Emergency aid ship

A ship loaded with emergency food supplies left the Red Sea port of Djibouti destined for the famine-stricken Ethiopian provinces of Eritrea and Tigray. Page 4

Albanian amnesty

Albania's ruling communists will release over 200 political prisoners in a gesture aimed at stemming support for the opposition Democratic party, as the country prepares for elections on February 10. Page 2

IRA bombings

Northern Ireland's drive to attract much-needed investment suffered a serious setback after a co-ordinated IRA firebomb blitz. Page 4

Ireland, UK buffeted

Nearly 30 people were feared dead as emergency services continued their search for victims of weekend storms that lashed the UK and Ireland.

Blast kills six

A bomb blast in the southern Afghan city of Kandahar killed five civilians on Saturday and injured six.

Serrano leads polls

Jorge Serrano, a right-wing businessman, emerged the frontrunner as Guatemalans voted for a new president in the second round of elections.

Peking court verdict

A Peking court handed out relatively lenient sentences to nine people, at least six of them students, found guilty of minor offences during pro-democracy demonstrations in 1989. Page 4

Thousands march

Tens of thousands of Malians marched through the capital Bamako to support the government of President Moussa Traore, one of few African leaders still clinging to one-party rule.

Call for uprising

The Khmer Rouge guerrilla army urged the people of Cambodia's second city Battambang to revolt against the Vietnamese-backed Phnom Penh government and contribute to "an early liberation" of their city.

Spanish clean-up

Spain's health ministry, worried about the health of its hamburger-munching youngsters, ordered local authorities to carry out quality and hygiene tests on burger-bars all over Spain after a critical study by a consumer group.

Business Summary

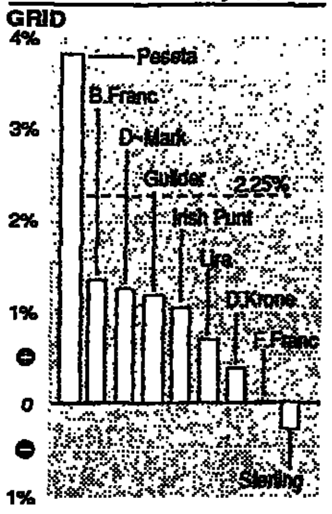
UK begins talks over first Ecu bond issue

The Bank of England has started active discussions with banks in London over the UK government's first European Currency Unit bond issue.

Bankers expect the government to issue Ecu bonds in next few months, before the launch of the London International Financial Futures Exchange's Ecu bond futures contract in March. Page 11

EUROPEAN Monetary System: Sterling was helped by a general easing of D-Mark and comments by senior UK minsters dismissing suggestions of devaluation. It remained the weakest member of exchange rate mechanism, but was not under strong pressure. The Belgian franc replaced the D-Mark as the second strongest ERM currency, prompting a cut in Belgian interest rates. Currencies, Page 21

EMS January 4, 1991



The chart shows member currencies of exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise by more than 2.25 per cent from the weakest currency in that part of the system. Sterling and Spanish peseta operate within 6 per cent fluctuation bands.

JAPAN Airlines (JAL) is taking a 14 per cent stake in a subsidiary of US aerospace group Lockheed, newly set up to maintain and modify Boeing 747 jumbo jets. Page 12

INVESTCORP, Bahrain-based international investment bank which recently bought US fashion retailer Saks Fifth Avenue for $1.6bn, made 1990 net profits of $66.3m, 28 per cent up on previous year. Page 11

UK economy: Prime minister John Major said government was "coming to grips" with economic difficulties and there were "unmistakable" signs that inflation was falling. Pages 4 and 10

SEARS Roebuck, struggling US retailer, is to cut 21,000 non-selling jobs nationwide by mid-year. Page 12

POLAND'S new prime minister, Jan Krzysztof Bielecki, has promised free-market policies and faster privatisation. Page 2

US recession: Three of Enstar Group's retail subsidiaries and Best Products have filed for protection from creditors under Chapter 11 of the Bankruptcy Code. Page 12

THAI Airways saw pre-tax profits fall to 6.75bn baht ($270m), from 7.42bn baht a year earlier. Page 12

Anthony Harris today begins a weekly column of comment and analysis covering financial and economic issues in Britain and around the world. The column will run on Mondays on the back page of the first section in the space occupied by Lex on other days. Page 10

Iraqi troops told to prepare for great sacrifices in 'mother of battles'

Saddam hardens stance on war

By Victor Mallet and Ralph Atkins in London and Peter Riddell in Washington

PRESIDENT Saddam Hussein of Iraq declared yesterday that Kuwait was an inalienable part of his country and urged his troops to prepare for great sacrifices in the "mother of battles".

His warlike speech to mark Iraq's Army Day cast doubt on the effectiveness of frantic diplomatic efforts to persuade him to withdraw from Kuwait before the January 15 deadline set by the United Nations.

"The return of Kuwait is a fact and not a claim," the Iraqi leader said in his televised address. "It is the 19th province on the map of Iraq with its long history for the present and the future." Although he said Iraq was fighting to liberate Palestine, he did not repeat earlier hints that he might withdraw his troops from Kuwait in exchange for progress in resolving the Arab-Israeli dispute.

President Saddam vigorously defended the seizure of Kuwait on August 2, boasted of Iraq's military prowess and appeared to be preparing his men for battle against the US-led multinational force in Saudi Arabia. "Comrades in arms," he said, "the battle will entail great sacrifices."

US officials said they saw no sign of any shift in the Iraqi position before the meeting on Wednesday in Geneva between Mr James Baker, the US secretary of state, and Mr Tariq Aziz, the Iraqi foreign minister.

Mr Brent Scowcroft, the president's national security adviser, said he saw no weakening in Mr Saddam's "intransigence" and did not believe the Geneva meeting would change very much.

At present he did not detect any progress or prospect of a breakthrough in what he called "the countdown for peace."

There was no indication, he added, that Mr Saddam was "getting the message" about the international coalition's willingness to use force if Iraq refuses to comply with successive UN resolutions by withdrawing fully from Kuwait.

In Israel Mr David Levy, the foreign minister, called Mr Saddam's speech "absolutely extreme" and said it was effectively a declaration of war, although he did not rule out a sudden Iraqi withdrawal from Kuwait. Iraq has said Tel Aviv will be its first target if Iraq is attacked.

King Fahd of Saudi Arabia said he shared President George Bush's earlier "gut instinct" that Mr Saddam would pull out of Kuwait. He also held out the possibility of talks between Iraq and Kuwait after a withdrawal, but said Saudi Arabia was prepared for war if necessary.

Mr Bush and his senior officials have taken an uncompromising view of the aim of the Baker-Aziz meeting, stressing that there will be no negotiations and that the US will not agree to any subsequent talks in Baghdad.

In a weekend radio address, Mr Bush said: "There will not be secret diplomacy. Secretary Baker will restate, in person, a message for Saddam Hussein; withdraw from Kuwait unconditionally and immediately, or face the terrible consequences."

Mr Baker, who left the US yesterday for talks in London and Paris, will give Mr Aziz a letter from Mr Bush for President Saddam making clear that the international community is resolved to enforce the UN resolutions.

Mr John Major, the prime minister, prefaced a four-day visit to the Gulf by saying yesterday that he hoped any conflict with Iraq would be "swift and short".

He insisted there could be no question of compromise in the Geneva talks. "You don't negotiate with someone who's broken into your house as to
Continued on Page 10

US ambassador to Bonn, Vernon Walters, bids farewell to American troops yesterday as they depart for Saudi Arabia

THE GULF CRISIS
PAGE 3

- View from Baghdad: further gesture likely
- View from Washington: US firm on no negotiations, no compromise
- View from Bonn: Genscher's Kuwait election offer
- View from Paris: Saddam could win without war

OTHER PAGES

Airlines join suspension of flights to Israel

By Judy Maltz in Jerusalem and Kevin Done in London

FOREIGNERS packed Tel Aviv's Ben-Gurion airport yesterday in a rush to leave Israel as another three airlines announced the suspension of flights to the country.

The Israel Airports Authority said the flights were cancelled because of sharp rises in insurance amid fears of a Gulf war. The three airlines are the Polish national carrier LOT, Cyprus Airways and Scandinavian Airline System (SAS).

British Airways is continuing to fly to most of its destinations in the Middle East although it is reducing its services to Tel Aviv "for commercial reasons" from January 15, the date of the UN deadline to Iraq to withdraw from Kuwait. Services to Tel Aviv are being reduced from six to four a week because of reduced demand.

BA has already re-routed all its flights to the Far East and Australasia that would normally cross Iraq, Kuwait or the Gulf area, to more northerly routes.

The airline said yesterday that it was monitoring the situation in the Gulf around the clock and had "well-prepared contingency plans ready both for provision of extra flights from the areas and for complete re-routing of all services."

Other international airlines have already suspended some services to the Middle East. South African Airways has also suspended services to Israel, and the Dutch KLM airline have announced plans to reduce flights there.

Pan Am announced last week that it was suspending flights to Israel and Bahrain, while Cathay Pacific has stopped flights to Bahrain from London and is re-routing its services to Hong Kong via Helsinki.

British Airways said that demand had been heavy on its routes from the Gulf region including Abh Dhabi, Riyadh, Dhahran, Dubai and Bahrain. It said it was putting extra capacity on these routes "to meet anticipated increased demand for seats up to the January 15 deadline".

It is understood that demand for seats to the region is being increased by the needs of military personnel, as the build-up of troops in the Gulf continues.

Airlines are increasingly concerned about Iraq's latest threats to launch terrorist attacks in the west and are understood to have taken measures to increase security.

BAA, the operator of Heathrow airport, London, said that it was on its "normal security high level" and that any change would be instigated by the Department of Transport. "We do have contingency plans."

Regulators plan rescue package for troubled US bank

By Alan Friedman in New York

FEDERAL banking officials were meeting in Washington last night to try to piece together a rescue plan for the Bank of New England.

The Boston-based bank is facing technical insolvency because its projected fourth-quarter 1990 losses of $450m would wipe out its capital base of $255m.

The crisis at the US's 33rd largest bank has been mounting over the past year; an estimated third of its $6.3bn of commercial real estate loans are believed to be non-performing.

Coming after last week's banking crisis in Rhode Island, the Bank of New England's troubles further underscore the crumbling state of the region's economy, which is the worst hit by the US recession.

It emerged yesterday that up to 23 of the 45 Rhode Island banks shut last week may not reopen because they cannot obtain the required federal deposit insurance.

Work is proceeding on possible rescue options to ensure that depositors are able to get their money back, but the potential losses at the 23 institutions total nearly $1bn.

In Washington, the Federal Deposit Insurance Corporation (FDIC), which guarantees the Bank of New England's account holders, is exploring a range of rescue options including arranging the acquisition of the bank by a healthy institution.

Any rescue is likely to be costly for the FDIC, which is already strapped for cash because of the depressed state of the US banking system.

Allowing the bank to close is thought to be the last resort because it could cost Washington more than $2bn. This would make the Bank of New England the biggest bank failure in US history.

A rescue also seems likely because the bank – which has incurred losses of $1.4bn in the past 12 months and has already sold $6bn of assets, about a quarter of its total, under a consent order with federal regulators – plays too prominent a role in the New England economy to be permitted to fail.

The bank's board met yesterday to consider a rescue package put forward by its bondholders committee. Mr Greg Kiernan, chairman of the
Continued on Page 10

Yeltsin refuses Moscow call for extra cash to balance budget

By Quentin Peel in Moscow

MR BORIS YELTSIN, leader of the Russian parliament, threw the Soviet leadership into disarray at the weekend by refusing to provide extra finance to narrow the central government's yawning budget deficit.

He rejected suggestions of a compromise between the all-union government and the Russian government, and warned: "We are talking about a war of the budgets."

His renunciation of an apparent peace agreement last week came as President Mikhail Gorbachev published a decree on land reform which could also set the Soviet leader at loggerheads with Mr Yeltsin, his arch political rival, and the Russian parliament.

The deal is intended to set up a land bank for developing private plots of land but it falls short of the outright private land ownership – as opposed to leasehold – which Mr Yeltsin wants.

Mr Yeltsin has clearly decided to raise the confrontation stakes at a time when his leading officials, and those of the central government under Mr Gorbachev, had made big strides towards compromise on the crucial budget question.

The Russian leader's popularity stems from his constant opposition not just to Mr Gorbachev but to the perceived dictatorship of the central government and Communist Party bureaucracy.

At a time when the Soviet leader appears to be attempting to reinforce that rule, he may well have decided it was no moment to co-operate, in spite of the threat of huge economic dislocation without a national budget.

Mr Yeltsin said the Soviet government was demanding Rbs105bn ($202.65bn at the official exchange rate) from Russia towards the current budget, but Russia was not prepared to hand over more than Rbs78bn. However that is already much more than the Rbs23.4bn first offered by the Russian government.

He said he was alarmed by the optimistic interview given by Mr Gorbachev to Soviet television last week, in which the Soviet leader suggested that agreement had been reached between the republics and the union on principles for the division of revenues and spending in the 1991 budgets.

He said the draft agreement drawn up by the Federation Council, the supreme executive body under the president which brings together all the Soviet republics, must be amended. Russia submitted an alternative version on Saturday.

State spending is in chronic deficit at every level of Soviet authority.

Over the past year those deficits have been handled by massive recourse to printing money – some Rbs24bn, instead of the Rbs10bn planned. The budget row is primarily an attempt to shift the deficit burden back to the top, where money can go on being printed.
Editorial Comment, Page 8

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THE MONDAY INTERVIEW

Heinrich Weiss, the new 48-year-old head of the BDI, Germany's most important employers' association, surveys his new constituency with a contentment that sometimes verges on the complacent

FT SURVEYS: THE FT EUROPEAN 500

This definitive ranking of Europe's industrial and commercial power-houses appears Thursday.

■ ACQUISITIONS, for decades a way of life for British and US companies, have now become a powerful force reshaping the market values of publicly quoted European industry. That is the lesson of the new FT European 500 survey of the top 500 companies in Europe, which appears on Thursday.

■ Changes among the top 10 mirror the acquisitive activity of a number of German giants, but how far must they move to displace the British companies that have dominated the corporate map?

هكذا من الأجل

Bush expected to appoint US agricultural secretary as party chairman

New role for Yeutter could smooth Republican conflicts

PRESIDENT George Bush's still *unconfirmed choice of* Mr Clayton Yeutter, US agriculture secretary, as *new chairman of* the Republican party has bewildered many, writes Nancy Dunne in Washington.

The secretary's competence and knowledge of farm and trade policy – areas in which he has spent most of his public service career – is praised by Washington insiders. *So is his tireless crusade* to get farm trade rules accepted under *the now-stalled Uruguay* Round of international trade *talks*.

Mr Les Glad, an international trade specialist with the American Soyabean Association, said: "He is a dynamic, outgoing personality. But he is no kind of ideologue".

It is exactly these attributes, however, that makes sense of President Bush's choice.

The Republican party is facing divisions between conservatives and moderates, a split intensified by the president's *reversal of his no new taxes* pledge.

Some in the party's right wing have also joined Democrats in opposing Mr *Bush's policy* on the Gulf.

Mr Yeutter's credentials as an economic conservative are impeccable. His views on the "hot button" social issues – abortion, affirmative action, crime and punishment – are not well known. His appointment may baffle but it will not provoke hostility.

He is no political attack dog in the mould of Mr Lee Atwater, the ailing, retiring chairman. *He is a talented* gladhander, who will charm contributions *out of the party faithful: he may* even smooth the conflict in the ranks.

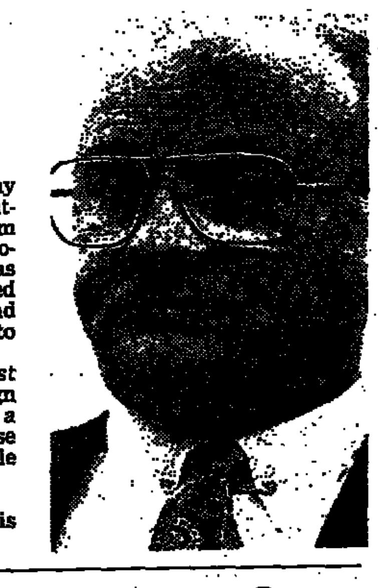
As a former Nebraska farmboy, the agriculture post was once the summit of Secretary Yeutter's ambitions. After three years in the gruelling position of Trade Representative, from 1985-88, he had to be convinced to take the job at USDA.

He said he would stay in office to help pass the far-reaching 1990 farm legislation. This maintains the cheap grain export competitive policy introduced by the Reagan administration, a *strategy highly unpopular among* many farmers. Mr Brian Ahlberg, for *the* National Family Farm Coalition, said: "Many farmers see Clayton Yeutter as the embodiment of corporate agri-business. I don't know of a recent secretary who has been so unpopular in the upper Mid-West".

Mr Yeutter also wanted badly to complete what he had helped start - the most ambitious round of international trade talks ever attempted. Some thought he went at that job too vehemently, *offending those who disagreed* with him in the EC with *inflammable rhetoric*.

Despite the collapse of the Uruguay Round negotiations, Secretary Yeutter won accolades from mainstream farm groups for refusing to compromise on farm trade reform. He was criticised, however, for having failed to push the president sooner and harder to make credits available to the Soviet Union.

Senator Rudy Boschwitz, *just* defeated in his re-election campaign in Minnesota, and Mr Cooper Evans, a former congressman and White House *adviser, are mentioned as* possible choices to succeed Mr Yeutter.



Clayton Yeutter, right: praise for his tireless crusade on farm trade

NEWS IN BRIEF

Portugal lifts curbs on credit

THE Banco de Portugal (central bank) has abolished the controversial system of credit ceilings which limited the amount banks were allowed to lend, in an effort to curb surging credit demand, writes Patrick Blum in Lisbon.

The move is another step by the financial authorities to liberalise the market with the aim of bringing local practice more into line with European Community standards. *Although the removal of credit* ceilings had been announced *last April, they were in effect* replaced by a new system *which set* a limit on total credit growth.

The credit ceiling system was established over 12 years ago to impose individual lending limits on each bank according to a complicated formula which bankers often said they could barely understand. The system was highly unpopular among bankers, who argued that it distorted the market. Credit ceilings also became increasingly ineffective as banks sought ways around them.

Banks will now be free to lend as much as they want provided they meet basic capital ratios requirements. *The central bank will also intervene more directly and regularly in* the market to maintain control *over monetary policy objectives*.

Trial date for Papandreou

Mr Andreas Papandreou, the former Greek prime minister, and three ex-cabinet ministers in his Socialist government are to go on trial on March 11 for alleged corruption in office, after a judicial investigation lasting over a year, writes Kerin Hope in Athens.

A 12-member tribunal of senior judges will hear the case, which is likely to last several months. Mr Papandreou faces charges of breach of trust and accepting bribes in connection with a $200m (£103.6m) embezzlement at *the Bank of* Crete, the biggest financial *scandal in Greek history*.

The 71-year-old former premier's refusal to testify in person before an investigating judge caused a flurry of legal debate last month before an order was issued for him to be forcibly summoned.

But in keeping with the conservative government's wish to avoid a confrontation with Mr Papandreou's Panhellenic Socialist Movement before the trial, the order was allowed to lapse.

Marching Turkish miners halted

Turkish security forces backed by water cannon and bulldozers halted nearly 50,000 striking coal miners on a 250km march to Ankara yesterday, Reuter reports from Ankara.

The semi-official Anatolian news agency said troops, gendarmes and riot police blocked the miners about 2km from *Eskicaga village*, well *short of* the main Istanbul-Ankara highway. The miners set out on foot on Friday from Zonguldak on the Black Sea after police stopped their 1,000-bus convoy from leaving for Ankara.

The 48,000 workers of the *state-run Turkish Coal Board* went on strike on November 30 to back pay claims.

Rwandan troops kill 150 rebels

Rwandan troops have killed 150 rebels and wounded many others in renewed fighting near the Uganda border, according to Rwanda Radio, Reuter reports from Nairobi.

The radio, monitored in Nairobi, said about 800 rebels – remnants of a force of Rwandan exiles who invaded their homeland *from* Uganda last October – launched an attack through Muvumba, in Byumba prefecture, on Friday.

It said the rebels came from the direction of the Ugandan border. In Kigali, the Rwandan capital, 30 men are on trial charged with supporting the invasion.

Albania to free 200 political prisoners

By Judy Dempsey

ALBANIA'S ruling communists will release over *200 political prisoners in a gesture* aimed at stemming the *support for* the opposition Democratic party, as the country prepares for elections on February 10.

President Ramiz Alia, head of the ruling Party of Labour (APL), also said during a session of the People's Assembly, the rubber-stamp parliament, that "new guidelines" would be issued to border guards.

The guards have been accused by the Greek authorities of shooting at ethnic Greeks and Albanians who have tried to escape *into neighbouring* Greece over the past week.

By issuing new but *undefined guidelines, the* Albanian authorities have implied for the first time that guards had *been shooting* at would-be escapers. Over 4,000 ethnic Greeks have fled from the country since January 1. Many are unskilled workers who risked the treacherous escape across the mountains because of deteriorating economic and living conditions.

The Greek authorities, who will receive financial assistance from the European Community to cope with the refugees, last week accused the Albanian authorities of encouraging *the ethnic* Greek minority to leave the country in a move *aimed at robbing* the Democratic party of votes.

The announcement of a partial amnesty for political prisoners is clearly part of Mr Alia's attempt to weaken the Democratic party. It was set up on December 12 and is led by a group of university economists and academics, including Mr Gramoz Pashko.

"It was our request to set free all political prisoners, and perhaps that is the first sign that this request was not a voice in the wilderness." Mr Genc Polo, spokesman for *the* Democratic party, said.

Despite these optimistic remarks, it is clear that Mr *Alia is determined to dilute the* influence of the Democratic party, *specifically by co-opting* some of its policies.

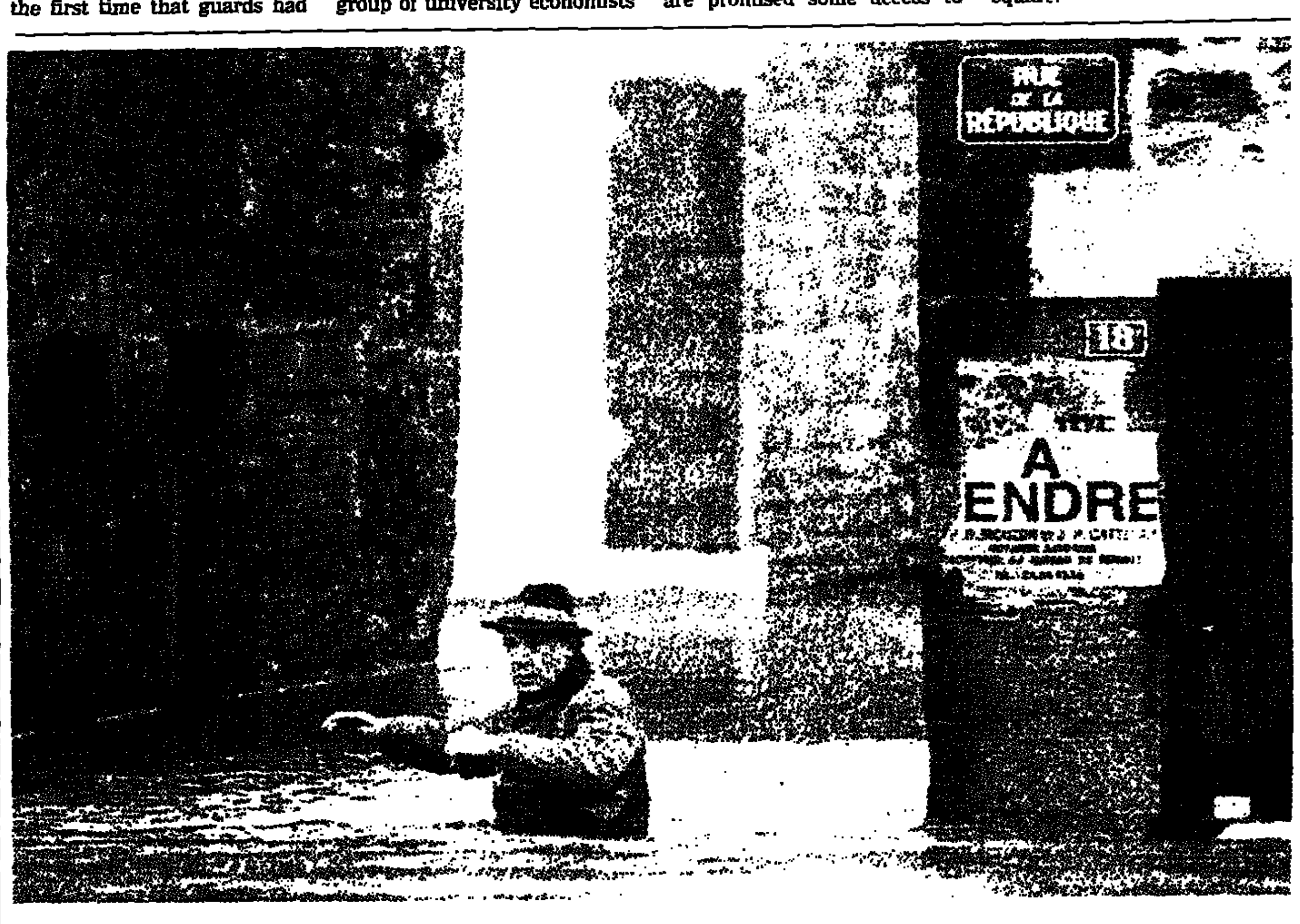
Doing so will allow the communists to retain the political initiative and convey the impression to the population that it is committed to reform.

These tactics are likely to deter sections of the population from supporting the Democratic party. The peasants will vote for the communists if they are promised some access to private plots.

Both sides, however, will woo young people, who make up over a third of the 3.2m population, and the workers. But since *the communists* control the media and the hated *secret police, and have refused* to postpone the elections until *May as requested by the Democratic party*, it may turn out to be a one-horse race.

Mr Alia's announcements coincide with more anti-government demonstrations at the weekend in the north-western Catholic city of Shkoder, the south-eastern city of Korce and the south-western city of Lushaje.

Mr Polo said the Lushaje demonstrations occurred during a peaceful rally on Saturday when baton-wielding police blocked off the main square.



A man wades chest deep in water as the River Meuse bursts its banks in the French village of Charville-Mézières *yesterday following* heavy rain. Houses and shops were flooded as waters rose 50ft above normal levels. Storms hit UK, Page 6

Bielecki pledges free market policies and speedy privatisation

By Christopher Bobinski *in Warsaw*

MR JAN Krzysztof Bielecki, Poland's new prime minister, *promised free-market* policies and a speeding of privatisation in his first policy speech to the Sejm (parliament) at the weekend.

The 39-year-old business consultant and close associate of President Lech Walesa said his government would concentrate on the economy "to encourage those who still hope, and give hope to the doubters".

He outlined his cabinet, which should be approved later this week, once the candidates have been vetted by the Sejm committees. Mr Bielecki stressed that the holding of free elections for parliament was a priority. *This means that* the cabinet's time in office is to be numbered in *months*, rather than years.

For the moment, the prime minister's line-up leaves Mr *Leszek Balcerowicz*, the deputy premier responsible for the *economy, in place* and still heading the Finance Ministry. Mr Krzysztof Skubiszewski, the foreign minister, is also to stay.

Foreign policy, according to Mr Bielecki, will involve "intensive" co-operation with Germany, aimed at easing Poland's integration with the European Community.

Telecommunications, along with transport, energy and housing, are to be priority areas for the new government, while farmers were promised that food exports would be encouraged and barriers installed against "unfair foreign competition".

There are to be changes in the economic posts, with the privatisation ministry going to Mr Janusz Lewandowski, leader of the small Gdansk-based Liberal Democratic party. Mr Andrzej Zawislak, an academic specialising in management, also associated with the group, becomes industry *minister*.

Privatisation of small state-owned enterprises is to be speeded up, with the government *aiming to have* "everyone owning a part of the nation's property", while *"private property and competition"* were to *be the keys* to countering a recession, Mr Bielecki *said*.

Foreign trade is to be headed by Mr Dariusz Ledworowski, till now a deputy minister in the trade slot.

Mr Bielecki promised foreign investors full freedom to transfer profits abroad, and equal treatment with Polish companies.

He called on the west to "radically reduce Poland's foreign debt", which is set to reach $50bn (£25.9bn) at the end of this year.

At home, the dominant role of the state-owned banks is to be reduced, as reforms of the financial system are to be accelerated, while Mr Bielecki reiterated that a stock exchange would be in place by the end of the year.

Freed generals told by Menem to stay silent

By John Barham *in Buenos Aires*

PRESIDENT Carlos Menem of Argentina has demanded an *end to public statements* by the former generals he freed last *week from prison*, where they were serving lengthy sentences for human rights abuses.

Last week, three members of the military junta that ruled Argentina between 1976 and 1983 demanded a public vindication for the army's brutal repression of political opposition.

Mr Menem said that the former generals were "figures from the past and for as much as they live in the present they have lost political importance and their military rank, so there is no point in discussing the subject any *more*."

He pardoned eight former *military officers and a former* terrorist leader to "close the wounds of the past."

Opinion polls however show that 68 per cent of the public reject the pardon. It is clear that granting it has come to be seen as Mr Menem's worst political error since taking office in July 1989.

In addition, far from subduing the army, which had insistently and violently demanded the release from prison of all officers, the pardon has exposed the government to *further demands* for new concessions.

A new campaign seems to be under way to force Mr Menem to *lift* a ban on the eight former generals' right to hold public office and incorporate them back into the armed forces.

There is also growing pressure *from a number of officers* who are demanding a recognition *of the army's traditional* role as a "factor of political power".

Instead of accepting the pardon as a gesture of national reconciliation, as Mr Menem had wanted, the armed forces have evidently seen it as a sign of weakness.

Brazilians warn of beef export fraud

By Christina Lamb in Rio de Janeiro

MR Antonio Cabrera, Brazil's agriculture minister, has alerted his European counterparts to a $200m (£103m) beef export tax fraud by "an international gang".

The scandal involves Brazilian Agriculture Ministry officials, sanitary and tax inspectors, and trading agencies in *both Brazil and Europe*.

Mr Cabrera said that nine senior meat inspectors had been dismissed and three large meat exporters in São Paulo had had their export licences removed after a tax crackdown found that prime filet and rump steaks were being exported as low-grade sausage, resulting in lower tariffs.

Mr Cabrera said: "Our estimate is that this has been *occurring* over the last four to five years with tax losses to Brazil of at least $200m and perhaps as much as $300m." Within the next two weeks the ministry is to introduce tougher inspection standards.

According to Mr Cabrera "this must have been an international operation because the firms buying the meat in *Europe were receiving it with* the wrong documentation as *something much cheaper than it really was*". He said he had *sent* telexes to his European counterparts and police alerting them to the crime.

The fraud is an embarrassment for the Brazilians who have been hoping to have a ban on meat exports to the US *lifted. The ban was imposed* last year because of alleged inadequacy of Brazilian sanitary inspection.

The EC also issued a warning to Brazil, although it did not stop imports.

Members agree to bury Comecon

By Quentin Peel *in Moscow*

THE nine member states of Comecon, the Soviet-led state trading bloc, agreed this weekend to dismantle the organisation and replace it with a far looser consultative and co-ordinating body.

The agreement falls short of the outright abolition of Comecon sought by Czechoslovakia, in particular, but it is clear the new body, to be called the Organisation for International Economic Co-operation, will *primarily perform* the task of undertaker.

"For me, this is the end of Comecon," Mr Vladimir Dlouhy, Czechoslovak minister of the economy, said after the meeting. "This new organisation exists for political reasons, just not to give a blow to the internal situation in the Soviet Union.

"We do not need it very much. Trade links can be handled on a bilateral basis. I would give it five or seven years' maximum life."

He agreed, however, that there were remaining organisational links, including the two Comecon banks (the International Bank for Economic Co-operation and the International Investment Bank), and ownership of the Comecon headquarters in Moscow, a prime office development on the banks of the Moscow river. Division of those assets had to be resolved.

> The agreement falls short of the outright abolition of Comecon sought by Czechoslovakia in particular, but it is clear the new body will primarily perform the task of undertaker

The new organisation should also strive to improve payments between member states, now transferred to settlement in hard currency at world market prices, he said.

A key problem for east European exporters to the Soviet Union is that the latter still maintains central control of hard currency, *with only* a tiny proportion in the hands of *individual importing enterprises*.

Mr Bela Kadar, the Hungarian minister for international *economic* relations, who chaired the executive committee meeting in Moscow, said the new organisation would be "in the first place, of a consultative nature, an informative organisation".

But it could still help to solve regional problems of infrastructure, including transportation, of environmental protection, and general economic questions.

Its initial budget will be only Roubles 6.8m (£6.8m at the official exchange rate).

Even Mr Stepan Sitaryan, the chairman of the Soviet state committee for foreign economic relations, and deputy prime minister, admitted that the old organisation "has exhausted itself, and does not meet the present social and economic conditions of the member countries".

However, he insisted that "the economic space developed has become a reality. We cannot *break it or reject it. That* would not be useful for any *member country*."

Mr Dlouhy said that the new organisation would also deal with residual questions of customs regulations, tariffs and quotas, and with developing relations with other international organisations, including the European Community.

He told the meeting that Czechoslovakia's prime concern was to become integrated into "west European economic groups."

However, the process was likely to take a decade. "Within this time we think it is reasonable to set up an organisation for regional economic co-operation."

Brazil and Argentina aim to woo foreign investors

They want to show how serious are their pro-western policies, writes **John Barham in Buenos Aires**

DEBT CRISIS and *democracy ended one* of the world's least-publicised arms races a decade ago. Brazil and Argentina, whose rivalry created one of the developing world's more worrying arsenals, have since become close allies.

Now they want to convince a *suspicious world that their* military and nuclear hardware will never be used for war. As a demonstration of their good faith, they are throwing secret nuclear facilities open to outside inspection for the first time.

They hope to overcome western *alarm about the* proliferation of weapons of mass destruction in the Third World, strengthen democracy and advance their unsteady progress towards economic integration.

On November 28, Presidents Fernando Collor of Brazil and Carlos Menem of Argentina ceremoniously vowed never to build atomic weapons, and announced they would negotiate broad international safeguards for all their nuclear installations.

Successive military-dominated governments in both countries had angrily rejected controls, embarking instead on a *ruinously expensive race* to acquire military and nuclear hardware.

Mr Collor has admitted that previous Brazilian governments planned to develop an atomic weapon, although Argentina is considered to have come the closer to building *a bomb*.

Argentina, the home of Latin America's most violent army, is particularly keen to reach a far broader military accord with its neighbours. An Argentine diplomat said: "There is a correlation between militarism, mutual hostility and dictatorship.

"The armed forces used external and ideological threats as pretexts for coups d'état. We want to strengthen democracy by reducing hostility and providing our armed *forces with a* new, more professional role."

The arms race gave way to growing co-operation after Argentina reverted to civilian rule in 1983 and Brazil in 1985. Now Brasilia and Buenos Aires plan to create a common market by January 1995.

A Brazilian official said: "We want to demonstrate that we are serious about integration and co-operation by extending it to the most sensitive questions, like nuclear energy". For that reason, officials say, nuclear co-operation will be the touchstone of integration between South America's largest nations.

At their November meeting Mr Collor and Mr Menem *announced* a *broad mutual* inspection mechanism that would open the way for an accord with the Vienna-based International Atomic Energy Agency (IAEA). It would also enable them fully to implement the *Tlatelolco Treaty, which* bans nuclear weapons in South America.

Two of Latin America's biggest neighbours want to convince a suspicious world that their military and nuclear hardware will never be used for war

Neither country can afford the huge cost of its nuclear establishments. Brazil has one nuclear power station and Argentina has two, but all three of them are plagued by constant operational problems, and ambitious plans for a network of nuclear plants have been scrapped.

Secret enrichment and reprocessing facilities in Brazil and Argentina are to come under full civilian control. None the less, the Brazilian navy still plans to launch a nuclear-powered submarine by the year 2000.

Mr Menem and Mr Collor *hope the industrialised world* will lift an embargo on high-tech exports, imposed *to prevent* proliferation of nuclear weapons and missile systems.

They also hope to win the confidence of foreign investors by further demonstrating the seriousness of their pro-western *foreign policies and pro-business* economic policies.

Significantly, the ceremony took place only days before President George Bush visited Brasilia and Buenos Aires. The US has now promised to release sophisticated IBM computer equipment to Brazil for use in oil exploration and civil aircraft design.

However, the two are demanding some changes in nuclear controls. Argentina in particular wants regulations revised to protect its industrial secrets in the fiercely competitive nuclear industry.

Both countries continue to denounce the Nuclear Non-Pro*liferation Treaty (NPT)*, which they say the industrialised world uses to deny them economically useful technology.

A Brazilian official said: "The NPT gives nuclear countries all the rights, but non-nuclear countries have all the obligations and suffer all the *restrictions*".

Argentina and Brazil are also winding down their missile projects and may begin co-operating on new uses for missile technologies.

Argentina has halted its Condor II intermediate-range missile, developed with Egypt, *Germany and Iraq*. Brazil's progress on a similar system has been hampered by tight budgets.

Western nations, invoking the Missile Technology Control Regime, had embargoed sales of "sensitive" technologies to delay these missiles' deployment. Now, the US has promised to help Argentina find non-military applications for its missile technologies.

Mr Menem has also asked western governments for advice on how to reinforce civilian control of the armed forces. American officials suggest that the discredited and demoralised military specialise in peace-keeping missions, emulating the Nordic countries.

Mr Menem took their advice and despatched two warships to the Gulf in September. Two months later, Argentina suffered its fourth mutiny since 1987.

That is why Mr Menem is so anxious to find a constructive *new role for his armed forces*. Mr Domingo Cavallo, Argentina's foreign minister, is trying to interest his neighbours in a regional security pact that would keep the generals out of politics and busy with non-*threatening duties, such as* protecting the environment and *stamping out drug trafficking*.

However, Mr Cavallo will not find it easy to sell the idea to other governments, since Argentina's military have already said they will not stoop to police work.

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Victor Mallet on Iraq's view of the conflict

Further gesture likely from Baghdad

THE main problem for those who favour a compromise with Iraq in order to avoid war in the Gulf is that Baghdad has so far shown little public indication of wanting to compromise.

President George Bush, in other words, is not the only man to have obstructed linkage between an Iraqi withdrawal from Kuwait and a resolution of the Arab-Israeli dispute.

Although Iraq has paid lip service to the Palestinian cause and to linkage between the two issues, it has publicly and defiantly expressed its determination to stay in Kuwait in perpetuity – a contradiction which seems to make nonsense of any deal suggested so far by wavering members of the multinational alliance.

President Saddam Hussein did it again only yesterday, saying that the "return" of Kuwait to the Iraqi motherland was a reality "for the present and the future".

When asked about possible Iraqi concessions, Mr Saddam's ministers repeatedly refer to his opportunistic "linkage" proposal of August 12; even this, which was designed to soften the unexpectedly fierce international reaction to his invasion, only hints obliquely at an eventual withdrawal.

It calls for an immediate Israeli withdrawal from occupied territory in "Palestine, Syria and Lebanon", a Syrian withdrawal from Lebanon, and only then for "the formulation of arrangements for the situation in Kuwait" on a similar basis.

The Iraqi leader also called for the withdrawal of US forces from Saudi Arabia and the lifting of all sanctions against Iraq.

As it stands the Iraqi position is unlikely to be taken seriously by the US, but it would be characteristic of Mr Saddam to make a further gesture in the next few days, either to confuse his opponents or because he realises that a war – however damaging in the long term to western interests in the Middle East – would be disastrous in the short term for his own regime.

To be credible such a gesture, whatever demands it contained, would have to include an actual or promised withdrawal from Kuwait, whether partial or complete.

It may be significant that the Palestine Liberation Organisation – effectively one of Iraq's allies – suggested in a recent radio broadcast that Iraq should stage a partial pullback to deprive the multinational forces of an excuse to attack.

It would not be impossible for Mr Saddam to announce a withdrawal a few hours after declaring his determination to keep Kuwait in perpetuity.

The Iraqi president has created an extraordinarily effective police state where dissidents are killed, and unlike Mr Bush he is not buffeted by public opinion or an independent Congress; on August 15, desperate to secure his eastern flank as the confrontation with the US developed, he made a U-turn and capitulated to all Iranian demands arising from the 1980-88 Gulf war.

If Iraq were to concede at least the principle of a withdrawal from Kuwait, it could immediately draw on the sympathies of those who argue that Arabs have as much right to lethal weapons as Israelis; and that UN Resolution 242 (the 1967 measure urging an Israeli withdrawal from occupied Arab land in exchange for peace) should be implemented as forcefully as Resolution 678 of 1990, which authorises the use of force to drive Iraq out of Kuwait.

Most Iraqi demands, however, are seen in the west as face-saving devices to persuade Mr Saddam to withdraw with some of his dignity intact, instead of fighting a war.

In particular, the German and French offers of democracy in Kuwait have held little real attraction for Iraq since its army discovered that not a single Kuwaiti was prepared to collaborate publicly with the Iraqi forces, however much opposition there may have been before to the ruling Al-Sabah family.

In any case neither Germany nor France are likely to have much influence over the political life of a future Kuwait, nor have they explained why they are offering Kuwaiti democracy to what is arguably the most undemocratic regime in the world.

Whatever concessions Mr Saddam announces, he is unlikely to be believed by a sceptical Washington unless he puts his promises into effect immediately.

THE GULF

View from Washington

No negotiations and no compromises, Bush promises

By Peter Riddell, US Editor

THE Bush administration has limited public expectations of Wednesday's meeting between Mr James Baker, the US secretary of state, and Mr Tariq Aziz, the Iraqi foreign minister.

As President George Bush pointed out in a weekend radio address: "Secretary Baker will restate, in person, a message for Saddam Hussein – withdraw from Kuwait unconditionally and immediately, or face the terrible consequences."

There will be, according to the White House, "no negotiations, no compromises, no attempts at face-saving and no rewards for aggression".

The meeting, a modification of the earlier US call for direct contacts in Washington and Baghdad, is being seen as a means both of reassuring domestic American opinion that Mr Bush is "going the extra mile for peace" and of ensuring that the unity of the coalition is not undermined by a series of separate diplomatic initiatives, such as the European Community offer of talks with Mr Aziz.

Both Mr Baker and Mr Brent Scowcroft, the president's national security adviser, yesterday presented the meeting as a last chance of delivering the message that the US is serious about its threat to use force to eject Iraq from Kuwait unless there is full compliance with successive United Nations resolutions requiring complete withdrawal.

They were at pains to stress that there will be no private deals or understandings. While there have been unconfirmed suggestions that Mr Baker has been keener on pursuing talks than the White House, he yesterday sought to avoid the impression that the Geneva meeting would be the start of a process of negotiations.

He unequivocally ruled out any subsequent meeting in Baghdad on the grounds that this would be too close to the January 15 UN deadline and would allow Mr Saddam scope for manipulation.

By insisting on unconditional Iraqi withdrawal from Kuwait and no reward for aggression, Mr Bush is leaving President Saddam with little room for manoeuvre.

The only assurances the US will offer is that Iraq will not be attacked if it complies with the UN resolutions. Moreover, after withdrawal there can be talks between Iraq and Kuwait about the disputed territories. The long-standing Palestinian question must also be addressed, though there can be no linkage between the current crisis and any eventual Middle East peace conference. However, Mr Bush admitted on Friday that "we can't tell anybody what he can bring up at a discussion."

While US officials are taking an uncompromising view of the Geneva meeting and are pessimistic about the chances of an early diplomatic breakthrough, there are several possible complications. First, if the Geneva talks merely involve a re-statement of familiar positions, and are seen as having failed, will the unity of the coalition be undermined by any revival of separate EC talks with Baghdad?

Second, if Iraq appears to be shifting, however slightly and uncertainly, can Mr Bush be seen to dismiss further discussions, including a visit to Baghdad by Mr Baker?

Third, if at the last minute, next weekend, Mr Saddam promises at some date to withdraw from Kuwait, will the coalition become divided, with many European countries eagerly grasping the offer and the US standing back and insisting upon immediate completion of withdrawal?

Amid the current flurry of diplomatic activity, Mr Bush believes he can only secure a peaceful solution by sticking absolutely to the US's often-stated objectives and by not hinting at any compromise.

View from Paris

Saddam could win with ease — without necessity of war

By Ian Davidson

WITH nearly a week to go before the UN deadline, and two days before the meeting between Mr James Baker, US secretary of state, and Mr Tariq Aziz, his Iraqi counterpart, the world seems poised on a knife-edge between war and peace. But the nature of the bargaining process is such that President Saddam Hussein has a range of options for winning hands down, if he chooses to take them.

Mr Baker insists the purpose of his meeting on Wednesday is not to negotiate with the Iraqi foreign minister, but to impress on him the disastrous consequences for Iraq of its present policy. For their part, the European Twelve sought a separate meeting with Mr Aziz, but were rebuffed.

The French presidency has insisted that last week's visit to Baghdad of Mr Michel Vauzelle, chairman of the foreign affairs committee of the National Assembly – who arrived unexpectedly in Tunis yesterday – was an entirely private and unofficial initiative, without a message or a mandate from the French government.

But no one believes these disavowals, since it is obvious the Americans and Europeans are desperately anxious to find an alternative to war. If these meetings are not negotiations, or at least signals of an ulterior readiness to negotiate, it is hard to see their purpose.

Unfortunately, the UN coalition now hangs together only through the dialectic between two absolutes: total Iraqi withdrawal from Kuwait, or war. Western governments insist in public that there can be no negotiation and no compromise, not just because the absolute dialectic is legally unquestionable and politically simple, but even more because they dare not admit the existence of other, intermediate, options since these would make international consensus impossible to sustain.

But the cohesion of the UN coalition on the basis of its absolute dialectic has only been made possible by the equal and opposite absolutism of Mr Saddam.

It is only his insistence that he will not surrender an inch of Kuwait, and that it will remain the 19th province of Iraq, which has sustained the unity of the UN coalition, and indeed has driven the ratchet of successive UN Security Council resolutions ever closer to war.

If Mr Saddam were to move slightly away from his absolute position, he would immediately make it virtually impossible for the UN coalition to sustain the war option. After his 4½-hour meeting with Mr Saddam last week, Mr Vauzelle said everything was possible, "provided Iraq makes certain gestures".

Just what "gestures" Mr Vauzelle had in mind, he did not specify, and he obviously does not speak for President George Bush. But his words are a long way from the official dialectic of absolutism holding the international coalition together.

Even without budging on the question of Kuwait, Mr Saddam has already secured significant conciliatory gestures from the west, including offers of a range of international conferences to settle long-standing Middle East problems. If he were now to make an appreciable 11th-hour move on Kuwait, it seems almost a foregone conclusion that the world would shift from confrontation to negotiation.

How big a move he needs to make, to blow away the threat of war, is hard to appreciate. His chief material and strategic interest is to hang on to the islands and some of the oil fields. But perhaps all he needs to do, to precipitate the transition to a negotiation process, is to start to move out of part of Kuwait, without committing himself in advance how far he is prepared to go.

Western governments insist repeatedly that there can be no compromise over the degree of Iraqi withdrawal. Even the French government, often suspected of softness, is officially categorical on this point. But they protest too much. Once Mr Saddam started to withdraw even from part of Kuwait it seems self-evident that the stuffing would be knocked out of the war option.

The US administration may wish the Iraqis to believe that it is made of sterner stuff, and capable of clinging to the dialectic of absolutes through thick and thin. But few European governments are likely to sound convincing in a bellicose mode if Mr Saddam makes the minimal "gestures". And if there could be a greater disaster for the US than a war in the Gulf, it would be a war in the Gulf from which most European governments dissented.

None of this amounts to a forecast that we shall move from the "logic of war" to the messy logic of negotiation. Mr Saddam may not perceive the options, he may not like the options, he may think he can out-face the world without having to out-manoeuvre it. But if he wanted to, he could win hands down, without having to face a war.

View from Bonn

Genscher offers free elections in Kuwait

By David Marsh

MR Hans-Dietrich Genscher, the German foreign minister, has held out to Iraq the prospect of free elections in Kuwait and possible replacement of the ruling al-Sabah family once the Iraqi army withdraws from the country.

Mr Genscher submitted proposals along these lines, together with an offer of diplomatic efforts to solve the Palestinian question, in contacts during the Christmas holiday with Mr Abdul-Jaber Omar Ghani, Iraq's ambassador to Bonn.

Mr Ghani, who has returned to his post in Bonn in recent months, is a general who was in Kuwait in August playing a key role in co-ordinating Iraqi operations there.

Mr Genscher's suggestion of a "democratic" government in Kuwait, which Bonn believes would probably lead to the ousting of the ruling family, makes his stance less hardline than the positions adopted by the US and Britain.

News of the Genscher overture came as 18 German air force Alpha jet fighters flew yesterday from their base in Oldenburg in north Germany to eastern Turkey. They will be deployed there with 24 other fighters from Italy and Belgium as a Nato contribution to deterring Iraqi aggression.

The send-off from Oldenburg, which has been strongly criticised by the opposition Social Democrats, was accompanied by protests from 300 anti-war demonstrators.

Mr Genscher is sticking to the terms of the UN resolution calling for withdrawal by Iraq from occupied territory and a restoration of Kuwaiti sovereignty. But the German foreign minister is also putting maximum effort into trying to head off a war.

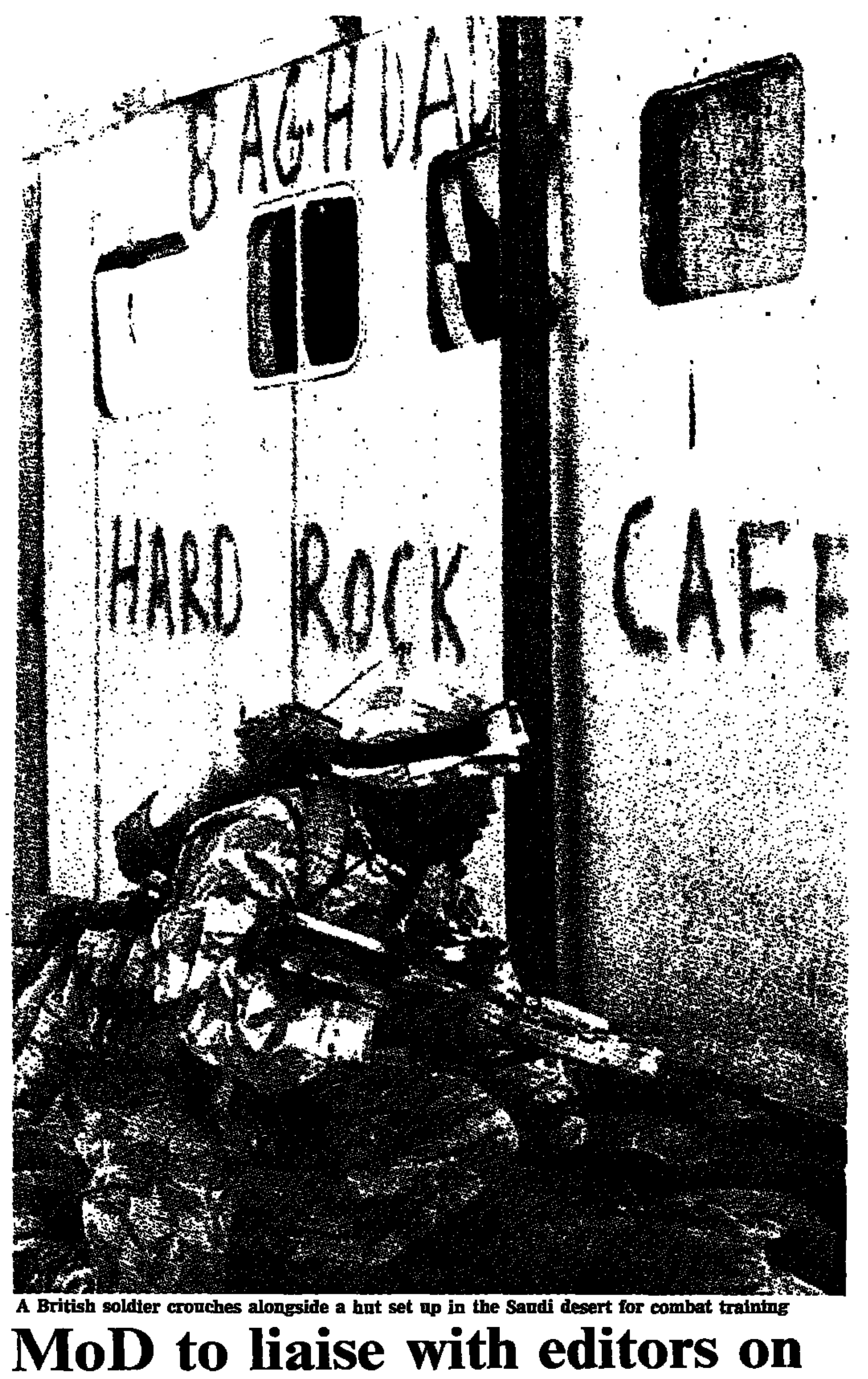
He will meet Mr James Baker, US secretary of state, and King Hussein of Jordan in Bonn tomorrow. During the holiday period Mr Genscher held telephone conversations with Mr Baker, along with several counterparts from other European countries and Prince Saud, the Saudi foreign minister.

Mr Genscher has also been trying to exploit contacts with the Yugoslav government, which enjoys good relations with Baghdad.

A Bonn Foreign Ministry spokesman said yesterday that Mr Genscher met Mr Ghani at least once during the holiday period. He could not confirm a German newspaper report that the minister received the Iraqi ambassador no less than four times at his house in Pech, just outside Bonn.

In his repeated statements on the Kuwaiti crisis, Mr Genscher has stopped short of backing a return to rule of the Al-Sabah family. In a speech to the Bundestag in November he called for free elections in Kuwait after the ejection of Iraq.

Mr Genscher has also backed the idea of an international conference to solve the Palestinian problem.



A British soldier crouches alongside a hut set up in the Saudi desert for combat training

MoD to liaise with editors on framework for press coverage

By Alice Rawsthorn

THE UK MINISTRY of Defence will today meet national newspaper editors to discuss proposals for press coverage in the event of a Gulf war, amid mounting criticism of the MoD's slow progress in finalising media arrangements.

Last week Mr Tom King, the defence minister, met senior editors from the BBC, ITN and British Sky Broadcasting to consider plans to co-ordinate and regulate television coverage of the possible conflict.

The MoD yesterday confirmed that the possibility of subjecting all television pictures sent from the Gulf to military veto had been discussed. However, it said, no final decision had yet been made.

Today's meeting will try to thrash out a framework for newspaper coverage. The subjects under discussion are likely to include the mobility of journalists in the Gulf, the level of access to servicemen and the vetting of photographs.

The MoD may also announce that it has secured a number of visas for British journalists to go to Saudi Arabia to cover the Gulf crisis. The Saudi government stopped issuing visas to journalists in November.

For some weeks disquiet has been growing among journalists about the ministry's tardiness in making plans for media coverage in the event of war. Other governments, notably the US, have made more rapid progress.

The MoD envisages using the existing draft arrangements for media coverage of military conflicts as the basis for its co-ordination of journalists in the Gulf. The draft arrangements were drawn up after the Falklands conflict, when the ministry was heavily criticised for its handling of the media.

These arrangements are now being adapted to meet the different requirements of a Gulf war. Organising media coverage in the Gulf would be much more complex than for the Falklands.

This is partly because more journalists are likely to be in the region, which is more accessible, and partly because a Gulf war would be spread across a larger area. The Falklands war was conducted in a clearly defined area and the MoD could control access.

Journalists in the Gulf are likely to be based in specific centres, such as Riyadh, where the MoD has already established a media unit. Small groups of journalists, called media response teams, would be taken out to particular areas of conflict. They would then return to the centre to pool their information and brief their colleagues.

Ortega to discuss peace plan

By Tim Coone in Managua

A LAST-minute proposal to resolve the Gulf crisis peacefully is to be discussed in Baghdad later this week between President Saddam Hussein and former Nicaraguan president Mr Daniel Ortega.

Mr Ortega said at the weekend that the proposal involved "a gradual, but unconditional, total withdrawal of Iraq from Kuwait".

The frontier dispute between Iraq and Kuwait would then be settled through international arbitration, negotiations would be started on the elimination of weapons of mass destruction in the Middle East and the UN Security Council would be pressed "to deal with the issue of the Israeli-occupied Arab territories with the same vigour that it has dealt with the Gulf crisis," he said.

According to Mr Ortega, the proposal has the support of King Hussein of Jordan, President François Mitterrand of France, and Col Muammer Gadaffi, the Libyan leader. It offered a face-saving solution to the crisis, by not formally linking Iraq's withdrawal from Kuwait to the other issues but by opening up the possibility of a subsequent negotiation process.

"Withdrawal is unconditional," he insisted.

Mr Ortega departed for New York yesterday where he is to meet Mr Javier Pérez de Cuéllar, the UN secretary-general. He is then scheduled to meet King Hussein of Jordan, the Iraqi foreign minister and representatives of the EC in Amman tomorow and Wednesday.

He will then go on to Baghdad to meet Mr Saddam on Thursday, five days before the UN Security Council deadline expires for Iraq's withdrawal from Kuwait.

Freighter hits mine in Gulf

A CYPRIOT-FLAG freighter hit a mine near the Strait of Hormuz yesterday, but it is unclear if the blast means Iraq is sowing new mines in the Gulf, Reuter reports from Dubai.

The Greek Merchant Marine Ministry in Athens said the 6,514-tonne Demetra Beauty hit a mine in the Gulf of Oman about 120 miles from the Strait of Hormuz.

"The ship was hit in its engine room and is slowly sinking. The crew is safe and was picked up by the Omani coast guard," it said.

Lloyds Shipping Intelligence reported unconfirmed information from Saudi Arabia that another mine caused damage to an unmanned offshore oil rig in the Gulf south of Kuwaiti waters.

Lebanon attack

Israeli jets destroyed a base of a Syrian-backed Palestinian group in south Lebanon yesterday, wounding five guerrillas, security sources said, Reuter reports from Sidon.

They said two jets fired 16 rockets into a three-building complex operated by the Popular Front for the Liberation of Palestine (PFLP) in the village of Majdelyoun, east of Sidon.

Rushdie protest

Iranian radicals challenging Tehran's more pragmatic leaders are mounting an increasingly strident anti-British campaign over author Salman Rushdie's controversial book The Satanic Verses, Reuter reports from Nicosia.

Shouting "Death to Britain" and "Death to apostate Salman Rushdie", about 500 university students demonstrated outside the British embassy in the Iranian capital yesterday demanding the release of an Iranian student held in Britain.

Aziz urged to reconsider rejection of EC talks

By David Buchan in Brussels

THE European Community yesterday urged Mr Tariq Aziz, the Iraqi foreign minister, to reconsider his refusal to talk next week to EC representatives.

Mr Aziz's unexpected refusal to go from his agreed meeting with Mr James Baker, US secretary of state, in Geneva on Wednesday to Luxembourg the following day to meet three EC foreign ministers disappointed officials. It is being read as a sign that Iraq may be interested only in a public confrontation with the US this week, and not serious negotiation.

On Saturday the Iraqi Foreign Ministry said Mr Aziz was declining the invitation of talks in Luxembourg, offered by EC foreign ministers on Friday. It said this was because European policy was dictated by Washington and the Community had behaved badly by effectively retracting in December an invitation for EC-Iraqi talks, after the US and Iraq had failed to agree a timetable for their own talks.

If the Europeans wanted a dialogue, "we would be happy if they came to Baghdad," the ministry said.

Mr Mark Eyskens, Belgium's foreign minister, said yesterday that Iraq would have to "take the consequences" of its refusal to meet in Luxembourg. The EC was not going to let itself be humiliated to the point of travelling to the Iraqi capital.

The minister summed up widespread European surprise at what he called Baghdad's "mistaken appreciation" of the EC position.

While the Community strongly backed the US in demanding fulfilment of United Nations' resolutions, it also realised because of "its long-standing and close relations with Arab countries", the need to resolve other crises in the Middle East, such as the Palestinian issue, he said.

Air-medical reservists just want to get it over and done with

By John Authers

RESERVISTS from the Royal Auxiliary Air Force have assembled for Gulf duty, which could include flying casualties to the UK in Hercules transport aircraft.

The Ministry of Defence yesterday confirmed that contingency plans have been made with regional health authorities for beds to be made available in the UK.

Squadron 4626, which handles aero-medical evacuation, was formed in September 1983, and has not been called up for action before. The vast majority of its 135 members have never experienced military service.

Many come from civilian medical backgrounds, but the squadron also includes a company director, a postman, secretaries, and a village stonemason from North Wales. More than half are women.

In the week before they leave, their refresher training at RAF Hullavington, Wiltshire, will also cover treating patients wearing nuclear biological and chemical (NBC) suits.

This complicated manoeuvre, which the volunteers demonstrated on Saturday, involves covering the suit first with fuller's earth.

The "earth" is treated to disinfect against radioactive fall-out and chemical weapons. Most of it, ironically, is based on sand from the Saudi Arabian desert.

Volunteers then need to cut the suits open, almost a surgical operation in itself, before treatment can start.

The reservists need to wear NBC suits themselves. They have all done this before, but not in the high temperatures expected in Kuwait.

Duties include assessing casualties' fitness to fly, evacuating from the battlefield to mobile hospitals, and tending patients while they are in transit. The squadron also expects to make shuttle flights, taking victims back to the UK for hospital treatment.

Most of the equipment needed is already in position in north-east Saudi Arabia, and an advance party of about 10 will leave on Wednesday. The rest of the squadron will follow at the end of the week.

The call-up has caused some drastic changes in domestic arrangements. Two reservists brought forward their weddings to Thursday, the last possible date. Among those flying are a mother and son, and two married couples.

None of the reservists seemed happy to be going, although there were no complaints. Apprehension was greatest among those without a military background.

Miss Amanda Tolman, a nurse from the casualty department at Westminster Hospital, said the possibility of being called up to war has not been in her mind at all when she signed up. She enjoyed serving in the squadron because it gave her more opportunities to play hockey and squash.

"It was the not knowing which was the worst bit - only knowing on Thursday. I just want to get it over and done with, really. I'm not married, but I haven't seen my mum yet."

Mr Richard Gregorczyk, a stonemason from North Wales, said he had joined for a hobby, and the possibility of going to war had not occurred to him. "I don't think there's much fear within us, but there are mixed emotions. It's like a bad dream. Those of us with families bear the greatest burden."

But Mr Chris Hopkins, whose wife, Joy, is also in the squadron, said he was less apprehensive than when he was on duty in Northern Ireland.

Closing prices on January 4

December 1990

Members agree to bury Comecon

By Quentin Peel in Moscow

Securities firms look across borders

Richard Waters on how bankers and brokers are preparing for battle

THE banks and brokers which dominate the European securities business are preparing for battle. While some securities markets – notably the telephone market for eurobonds, based in London – have long had a strong international character, others remain parochial, in thrall to local cartels.

Change is is now in the air. It is coming from two directions: the gathering wave of deregulation that has been washing across the continent's financial centres since the mid-1980s, and the coming of the EC's internal market. The 1992 bandwagon has created a surge of interest in cross-border investment from the institutions which act as the guardians of mass capitalism – the mutual funds, pension funds and others which dominate international investment.

Against this background, the intermediaries who service the flows of international capital – the banks and brokers, and the exchanges through which they transact their business – have been largely slow to respond.

National exchanges have only recently begun to look for ways to break down the barriers between them to create better ways for investors to trade across borders. Meanwhile, the banks and brokers, many of which continue to rely on a large share of business in their domestic markets, are beginning to explore ways of securing their places among the handful of intermediaries which could eventually dominate European share trading and distribution.

The resolution of two current debates will determine the outcome. These are over the regulations to cover the EC's open investment market, enshrined in the planned directives on investment services and capital adequacy.

The planned Investment Services Directive was stalled in the dying days of the Italian presidency of the EC, and now needs a kick-start to break a deadlock. On the one side, the French, Belgians, Spanish and Italians argue that all securities business should pass through recognised national exchanges, to give investors (particularly personal ones) the highest level of protection.

No business should be conducted off-market – or if it is, investors should give express permission for their dealing to bypass the organised markets (the latter was a compromise floated towards the end of last year).

Opposing them, the British, Germans and others say there is no need to limit trading in this way, and that investors would suffer from the built-in inefficiency of being forced to deal through monopoly institutions. Critics of the French-led camp have claimed its adherents are inspired by protectionism.

According to this view, the Paris authorities are motivated mainly by a desire to seize business back from SEAQ International, a telephone market in London set up five years ago which has won a large share of the business in leading continental European stocks (as much/as a third of the trading in some French and Italian shares is handled in London, and a sizeable chunk of the business in leading German and other stocks).

However, the argument over the directive goes much deeper than this. At issue could be whether European share trading should becomes the preserve of a handful of banks, or whether it is opened to a wide range of intermediaries. Seen from this perspective, it is the French who are fighting against protectionism. The intrusion of

national pride, the egos of established stock markets and the fight among financial centres for leadership in Europe all help to complicate this picture.

Off-market trading favours institutions which already have a big market share. Smaller competitors and other outsiders suffer from being excluded from much of the trading done. This in turn strengthens the position of the market leaders. The eventual effect is to fragment a central stock market, breaking it into a small number of proprietary markets.

The result: an internalisation of stock markets into a small number of banks. This, according to some observers,is the direction in which securities business is inexorably moving. At present, European securities business is delicately poised. In countries such as Germany, a handful of banks dominates securities trading. These institutions are able to harness powerful in-house fund management arms to feed their brokerage business.

In Paris and London, this tendency has yet to take hold – though observers of the Paris market believe it is fast following the German model, driven by the desires of leading banks to ape their German counterparts. London, by comparison, remains largely open – the fund management arms of integrated securities houses guard their independence jealously, rather than channeling all their business to in-house brokers.

The leading London-based securities firms would be among the main casualties if other national markets become closed, a factor which prompts some of them to question the fervent opposition of the British authorities to the French proposals for the Investment Services Directive. "They are being a bit blinkered, coming at it just from UK practice," says an executive in a leading London house. Another, Mr James Ferguson, joint chief executive of James Capel, predicts that the internalisation of securities business will continue to hold back the internationalisation of the intermediaries involved in the business.

Commenting on the tendency for fund management business to be kept in-house, he says: "That integration will not lead to the development of pan-European securities houses."

Some internationally-minded houses have already established strong brokerages outside their domestic bases – such as the acquisition by the British Warburg Securities of a leading Paris broker, Bacòt-Alain. The opening up of national stock market cartels is aiding such acquisition. But these brokerages could remain outsiders, cut off from the fund management business of the local banks.

Seen from this perspective, dominance of the European securities business will only come from alliances among existing strong national houses. Such liaisons, expressed in cross-ownership, are just beginning to develop.

A second EC directive will also play its part in determining the outcome. This is the Capital Adequacy Directive for non-bank securities firms. Many non-bank firms fear that, by imposing more stringent capital requirements on them, the directive tacitly favours banks. It has yet to be finalised: when it is, the rules will be carefully pored over by securities houses keen to discover whether they have an independent future outside the banking community.

Meanwhile, big plans linked to the EC's internal market are fast becoming less important to many securities houses than a more pressing question: how to survive in markets which, since last August, have seen a sharp fall in the volume of business.

The Iraqi invasion of Kuwait signalled a significant downturn in trading on most national markets. At the same time, the capital crisis that has hit many banks around the world – though leaving Europe's leading banks better off than most – will further test the will of these institutions.

"Very few people have cut back yet on their grandiose 1992 plans," says one securities house with grandiose plans of its own. The coming year is likely to reveal which institutions simply do not have the stamina to make a play for a strong position in European securities trading.

Emergency supplies bound for Ethiopia

A SHIP loaded with emergency food supplies destined for the famine-stricken Ethiopian provinces of Eritrea and Tigray left the Red Sea port of Djibouti yesterday, **Julian Ozanne** reports from Djibouti.

The two-day voyage to the rebel-held Eritrean port of Massawa marks a breakthrough in attempts to save an estimated 4m people at risk from starvation in a region hit by civil war and almost total crop failure.

The shipment of 10,000 tons of wheat, fuel and patrol vehicles will be the first to arrive through Massawa since the Eritrean People's Liberation Front (EPLF) overran government troops in the port last February and scotched a UN plan to use the port for emergency famine relief.

The UN Food and Agriculture Organisation estimates 750,000 tons of food aid will be needed in the first eight months of 1991 to prevent widespread death from famine in Eritrea and Tigray.

An Ethiopian woman working in fields near Wukro

Djibouti plays large role in Gulf build-up

By Julian Ozanne in Djibouti

ONE of Africa's micro-states is playing a disproportionately significant role in the military build-up in the Gulf. For years pro-western Djibouti – population 500,000 including refugees – and its modern port has been an important refuelling stop for ships patrolling the Gulf. The French have also maintained a 4,000 troop presence since independence in 1977.

The numbers of British, American, French and Italian warships, either bound for the gulf or returning home, stopping at the port has more than quadrupled in the past six months to between 20-30 every four weeks to take on supplies of fuel water and fresh food.

The United States is also using Djibouti's airport to fly P3 maritime recconnaisance aircraft over the Gulf.

According to one western diplomat Djibouti is also seen an important back-up for the blockade of the Gulf of Aqaba.

For Djibouti the Gulf conflict is a mixed blessing which the government is trying to exploit.

While the government complains the Gulf crisis has cost them \$200m, there are signs of economic benefits flowing into the country. Moderate Arab states, led by Saudi Arabia and Kuwait, have promised Djibouti an initial \$40m assistance for its sturdy position on the Gulf crisis, of which \$20m has already been given.

Peking protesters sentenced

By Peter Ellingsen in Peking

A PEKING court has handed out relatively lenient sentences to nine people, at least six of them students, found guilty of minor offences during pro-democracy demonstrations in 1989.

Two of the nine "repented" and were exempted from further punishment, while seven others received prison terms of between two and four years, the official New China News Agency (NCNA) said.

Although four of those jailed were on the Communist party's most-wanted list following the brutal crushing of the movement by the army on June 4, none was among the high-profile figures said to be behind the uprising and targeted by the government for harsh penalties.

Of the four on the list, Wang Youcai, general secretary of the Peking Autonomous Students Federation, received the most severe penalty, of four years.

Two others on the list of 21 most wanted student activists, Zhang Ming and Ma Shaofang, were imprisoned for three years. Zhang, a 24-year-old engineering student from Peking's Qinghai University, was arrested in September 1989, while Ma, 25, of Peking Film Academy and a close friend of exiled student leader Wu'er Kaixi, reportedly surrendered to police in June.

The fourth on the most-wanted list, Zheng Xuguang, 20, a member of the autonomous students federation, was caught trying to flee in Guangzhou in August 1989. He was jailed for two years.

In a move that diplomats believe is new to China, all four will have the time already spent in prison deducted from their jail sentences.

The NCNA said the nine were prosecuted in public, but there is no independent confirmation of this.

NCNA said the accused were defended by relatives or lawyers, and made confessions, denials and other statements before being convicted.

"The court, after hearing and cross-examining evidence of the cases separately, decided that some of the accused were guilty of inciting subversion against the people's government, and the overthrowing of the socialist system," the agency said.

"Some were found guilty of organising and directing the stopping of, and attacks against, armed forces enforcing martial law and performing duties of safeguarding social and public order. Others were guilty of assembling crowds to disturb public traffic and seriously undermine public order. Their actions violated the country's criminal law."

NCNA said those convicted could appeal to the Peoples' Court within 10 days, but analysts said this was an unlikely option as all Chinese courts were guided by the policies of the Communist party, which has branded anti-government marches and sit-ins a criminal rebellion.

Diplomats said the leniency in the trials, among the first involving 1989's democracy movement, was not surprising. "The real test is when those with a higher political profile, such as student leader Wang Dan and intellectual Liu Xiabo, are prosecuted," one said.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION (1985 = 100)

	Nov.'90	Oct.'90	Sep.'90	Nov.'89	% change over previous year
Japan	128.4	130.0	126.4	120.6	+6.5%
	Oct.'90	Sep.'90	Aug'90	Oct.'89	
US	116.1	117.1	116.9	114.1	+1.7%
UK	108.8	108.6	108.5	110.5	−1.5%
W Germany	118.6	119.9	118.9	112.7	+5.2%
France	113.2	113.3	115.2	112.0	+1.1%
Italy	115.7	119.2	118.1	119.3	−3.0%

Source: National government statistics

Blue Circle to raise cement prices

By Andrew Taylor, Construction Correspondent

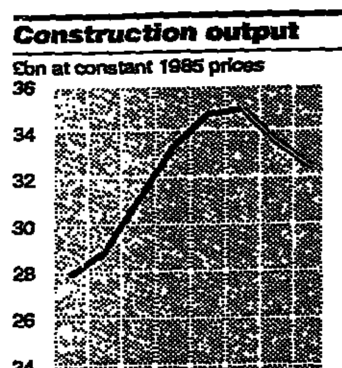
BLUE CIRCLE, which supplies half of all the cement sold in Britain, is expected today to announce an increase in UK prices of more than 5 per cent.

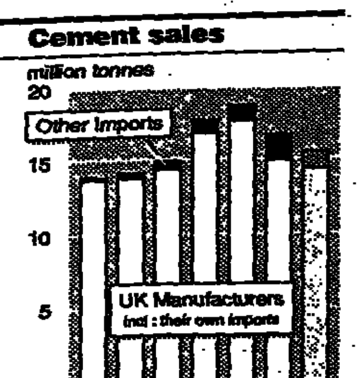
The move is likely to surprise the British building industry. It comes against a background of declining UK construction output, falling cement sales and rising manufacturing costs.

The three large British cement manufacturers - Blue Circle, Castle and Rugby - previously raised prices by about 6 per cent in March last year. The increases mostly failed to stick as competition between cement manufacturers grew and concrete prices fell sharply in southern England - the UK's biggest regional construction market.

In September Blue Circle said it had been forced to reduce its prices to regain market share lost as a result of price cutting by Rugby and Castle.

This makes the increases due to be announced today, and planned to take effect on March 1, all the more surprising.





Blue Circle will argue that the increases are necessary to offset rising costs. A new wage agreement affecting the company's 3,300 UK cement workers is to be negotiated early this year and is expected to produce increases of around the current annual inflation rate, of 9.7 per cent.

Cement sales by the three manufacturers are estimated to have fallen by more than 14 per cent last year to 14.9m tonnes from a peak of 17.4m tonnes in 1989.

Blue Circle's UK cement profits which reached a record £110.1m in 1989 are forecast by brokers to have fallen last year to between £70m and £75m. Profits are expected to fall even further this year even allowing for price increases.

The group says it would be in the best interests of other manufacturers, which also have seen earnings and margins fall substantially, to raise their cement prices by a similar amount.

It has already shown it would be prepared to cut its prices again to maintain market share if Rugby and Castle fail to follow suit.

Blue Circle charges a basic ex-works price of £52.15 a tonne for bulk ordinary portland cement. Delivered prices vary considerably depending upon the distance travelled and the size of discounts available.

Three quarters of the group's sales are bulk cement of which half goes to 12 companies mainly for concrete and concrete products.

Land Rover increases its output by 25%

By Kevin Done, Motor Industry Correspondent

LAND ROVER, the maker of four-wheel-drive vehicles, increased output last year by 24.8 per cent to a record 68,621 from 55,000 in 1989, the company announced yesterday.

Production at the Solihull plant, which was helped by the successful launch of the company's Discovery range, last year exceeded the previous peak of 64,814 achieved in 1975.

Land Rover, a division of Rover, the vehicle-making subsidiary of British Aerospace, introduced the Discovery in November 1989 as a third, mid-range model in addition to the existing Range Rover luxury four-wheel-drive and the Defender utility vehicles.

Land Rover has established itself as the most successful European maker of four-wheel-drive leisure utility vehicles in a market that is otherwise dominated by Japanese rivals. About three-quarters of production is sold abroad.

It has proven itself the most profitable part of Rover Group, which was acquired by British Aerospace in 1988 and in which Honda of Japan acquired a 20 per cent interest last year.

Discovery production, which is running at 630 a week, totalled 23,056 compared with the 3,749 produced in the final months of 1989.

Output of the Range Rover fell by 15.1 per cent to 24,202 from 28,513 in 1989, while production of the re-badged Defender - previously sold as the Land Rover utility vehicle - fell by 6 per cent to 21,363 from 22,738 a year earlier.

Output of the Range Rover, which is expected to be replaced by a new generation model in 1993 - a project currently under development code-named Pegasus - is running at 510 a week, while Defender output totals around 460.

Land Rover's vehicle output has risen steadily in the last four years from 41,290 in 1987. Successful model development and the opening up of new segments and export markets have compensated for the shrinking of its traditional utility vehicle sales in developing countries and have greatly increased the profitability of the product range.

Land Rover's Discovery: the new vehicle which has significantly helped the Midland company's production figures.

When production peaked previously in 1975 utility vehicle sales at 54,298 accounted for 84 per cent of deliveries with Range Rover accounting for a sales volume of only 10,516.

Rover is investing about £50m a year in manufacturing and product development for the Land Rover division. It is investing an extra £11m in tooling and equipment to remove production bottlenecks for Discovery.

● Range Rover sales in the US fell last year by 5 per cent to 4,582 from 4,822 a year earlier in the face of declining overall demand for new vehicles.

Firebombs aimed at Ulster economy

By Our Belfast Correspondent

NORTHERN IRELAND's drive to attract much-needed investment suffered a serious setback after a co-ordinated IRA firebomb blitz early Saturday morning caused at least £10m of damage.

The terrorist onslaught, destroyed five superstores and several shops in greater Belfast. It was the most devastating IRA firebomb attack for several years and is thought to have been aimed at discouraging potential investors considering the province as a business location.

Belfast and several satellite towns have experienced improvements in their commercial fortunes in recent years, with national high street retailers moving in.

As a result, the IRA is understood to have been worried that life was being portrayed as "too normal".

The Confederation of British Industry in the province said the IRA seemed to be reverting to tactics of the 1970s.

Directors signal slight rise in optimism

By Michael Cassell, Business Correspondent

COMPANY executives have become a little more confident about prospects for 1991, according to a survey carried out for the Institute of Directors.

The IoD says there has been a modest upturn in business optimism after a period of uncertainty surrounding the change in the Conservative party leadership.

Even so, half the 200 directors questioned in the first two weeks of Mr John Major's premiership remained less optimistic about economic prospects than they were six months ago.

The bi-monthly business opinion survey showed that 38 per cent of directors were more optimistic about their own company's prospects, compared with 33 per cent in October. Low customer demand and cash flow problems again emerged as by far the biggest source of concern.

Despite recessionary pressures, more than half the directors approached said their companies were still doing "fairly well", with 11 per cent believing they were doing "very well".

Only 44 per cent of company executives expected the trend of profits to be downwards, compared with 49 per cent two months ago. They were also slightly more optimistic about employment prospects, with only 25 per cent expecting a rise in unemployment against 31 per cent at the time of the last survey.

Mr Peter Morgan, director general of the IoD, said the attitudes revealed in the survey underlined the tough conditions facing business in 1991. He added: "We hope that market confidence will soon permit interest rates to begin to fall and business confidence to revive".

Receiverships more than double in 1990

By David Waller

THE NUMBER of companies going into receivership last year totalled 2,634. The figure was more than twice the level of 1989, according to figures released today by KPMG Peat Marwick McLintock, the accountancy and consultancy firm.

The worst-affected sectors were property and manufacturing, which accounted for half the total. Nearly a fifth of companies going into receivership were in retail and distribution.

The south-west showed the biggest year-on-year increase, with receiverships up 200 per cent.

In the south-east and the north-east, the rise was nearly 140 per cent; in the Midlands it was 100 per cent but in Scotland only 40 per cent.

"The statistics make bleak reading," said Mr Tim Hayward of Peat Marwick said: "Many companies, particularly in retail, that have been holding out in the hope that a good Christmas will bail them out, will have reached the end of the road this month now that tax, property costs and interest payments have fallen due.

"We shall undoubtedly see more major retail and service industry business failures over the next six months," he said.

● There were 1,187 receiverships in 1989, 858 in 1988 and 950 in 1987.

Bosch proves a vital component

Alternator plant will boost Welsh economy, writes Anthony Moreton

THIS morning the first compact alternators will run off Bosch's £100m plant beside junction 34 on the M4 motorway near Cardiff in Wales.

The lightweight alternators, a vital vehicle component, are the first the company has produced in Europe. They will, Bosch says, provide between 20 and 70 per cent more power than present units.

Today's production will be "the equipment of the future", according to Mr Joachim Burkhardt, Bosch's technical director in Cardiff and one of the two most senior Germans at the plant.

Bosch has ambitious plans. Only a year ago the payroll consisted solely of Mr Martin Wibberley, the personnel director. A local advertisement for staff produced more than 4,000 applications in the first week for an initial requirement of 300 jobs. Annual pay is around £13,000 plus shift allowances. Technicians earn up to £18,000 – big money in these parts.

The aim is to increase staff to about 570 this summer when production is in full swing. By then output should be nudging 200,000 a month; in a full year the company expects to produce 2.5m units.

Space exists for a second production hall if markets hold up. If Bosch does commission the second unit – and it confidently expects to do so by 1995 – output would be boosted to 5m units annually and the workforce would rise to 1,200.

Mr Gerhard Turner, the commercial director and the other top German, agrees that this depends on motor output holding up.

It also depends on the opposition. In Britain, Lucas is one important competitor. There are producers in France and Italy to be taken into account, not to mention the Japanese.

"We came to Wales because we saw an increasing base in the UK as the motor industry expanded, though an important part of our output will be exported," Mr Turner says.

Whether the company would have chosen the UK if it had predicted the dismantling of the Berlin Wall – with the consequent opening up of eastern Europe and its cheap labour pool – probably even Bosch's top hierarchy in Stuttgart does not know.

Expansion into eastern Europe must still be a possibility. It could even replace the planned Cardiff site.

Such a decision would be taken by the board of management under its chairman Mr Marcus Bierich, a man whom the Welsh have assiduously and successfully courted over the past two years.

For Mr Turner and Mr Burkhardt it is enough that Cardiff is up and running and has the potential to double output within the next four years.

Their concern now is to try to find suppliers within the UK to match their exacting demands.

They pay tribute to Nissan which has improved the level of component suppliers within the British motor industry in the same way that Sony, a dozen miles along the M4 motorway, has done for the television industry.

"We begin completely with existing suppliers in Germany, France and other countries," says Mr Burkhardt.

"But we are looking hard for British suppliers," He admits to having had "some difficulties in finding enough of them producing the right quality".

"We think we can get this right and then we shall switch to British suppliers," he says. "But we won't switch until the quality is right. We simply don't compromise on quality."

Bosch, like Nissan, places great emphasis on its relationship with suppliers. "We want a stable, long-term relationship," Mr Burkhardt says, "because we want to build in quality at the start, not undertake repairs at the end of the production process."

Within the Bosch empire, alternator production is just one division among 10 that supplies parts to the motor industry.

And automotive equipment, ranging from anti-lock braking systems to wipers, is just one of the company's four production groups – the others turn out radio communications, power tools, household appliances, drills and thermoplastics.

That makes the Cardiff plant a relatively small part of a massive empire. Bosch, a private company, has an annual turnover of around £10.6bn. About half its output, but only 18 per cent of its revenue, is produced outside Germany.

For Britain, the Welsh plant is an important contribution towards the creation of a multinational industry.

If Bosch gets it right in Cardiff the possibilities of expansion are almost limitless; the reverse does not bear thinking about.

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Martin Dickson visits a Private Industry Council in Connecticut and finds that it is atypical

A chequered record for the UK's role model

The initial appearance is highly deceptive: you proceed down a thickly carpeted corridor, lined with blandly tasteful art, into a bright, freshly painted room where smartly dressed women are busily tapping away at an array of new word-processors. Welcome to a typical corporate office in Anytown, USA.

In reality, this is a training centre for some of America's least privileged citizens in the gritty Connecticut town of Bridgeport. The women at the word-processors are single black mothers on government welfare, learning the skills of the office workers they hope to become.

The centre's resemblance to a real office is a quite deliberate device to build their self-confidence. It is also a tangible demonstration of a successful partnership between business and the Southern Connecticut Private Industry Council (Pic), the local arm of a federal job training programme aimed primarily at the poor.

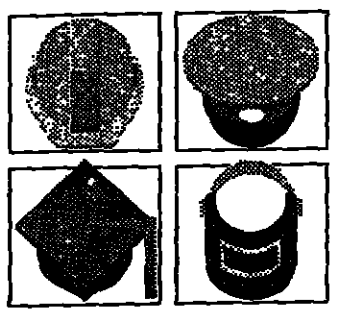
The word-processors are part of a $165,000 gift of equipment and software from International Business Machines, while the furniture, artwork and other equipment have all been given by local donors. Even some of the women's clothes have come from business people; the centre insists that trainees dress in a manner suitable for an office and maintains a wardrobe for those who cannot afford their own.

The educational process is as much psychological as practical. "On day one we tell them, 'you're in charge of your destiny'," says Joyce Thomas, who runs the centre and has a good record of getting Pic graduates into work and keeping them there.

A similar self-help ideal – that local private enterprise is best suited to determining local training needs – underlies the entire Pic movement in the US, which has served as the inspiration for Britain's new Training and Enterprise Councils.

However, the Bridgeport Pic is regarded as one of the best in the US and many of the 620 others scattered across the nation have a very chequered record. Their problems suggest that while the American system offers some good ideas to the UK, it is a far from ideal role model.

Pics emerged in the early 1980s out of the Job Training Partnership Act (JTPA), a Reagan administration reform designed to produce greater private sector involvement in manpower training.



TRAINING ON TRIAL

The board of each Pic has to have a majority of local businesspeople. They, working together with a minority of representatives from government and community groups, and a full-time executive team, decide how to allocate federal training funds.

Equally important is the role of the private sector in the training itself. For the Pics do relatively little teaching themselves, instead delegating most work to outside organisations – ranging from private businesses to union groups – which bid for contracts.

The contractors have to show that there is a local demand for the training they are offering – for example, through letters of support from potential employers – and they are paid in part by the number of trainees they actually place in jobs. According to the theory it is the marketplace that rules, rather than bureaucrats.

At its best the system does much very valuable work, as the example of Bridgeport shows. But the system is highly dependent on the quality of the individuals involved, and even when performing well, it is open to the criticism that it fails to reach those most in need of help.

The Bridgeport Pic is particularly blessed. First, the geographical area it covers, together with a New England sense of community service, means there is no shortage of business talent willing to serve on its board. In fact there is a waiting list.

However, in some other parts of the country, critics say initial enthusiasm for the scheme seems to have faded, that the seniority of businessmen serving on Pic boards has consequently dropped, and that momentum has been lost.

But attracting the right businessmen depends crucially on the quality of the individual executives running a programme and on their diplomatic skills. Here, too, in contrast to some other areas, the Bridgeport scheme has been fortunate. Its director, Henry Durell, is an enterprising man with a hard-headed commercial background in retailing and, having been with the Pic from the beginning, he gives it a sense of continuity. Other staff members radiate enthusiasm for their work.

Durell believes that having businessmen in the majority on the board works extremely well. For one thing, he says, it has removed budget allocation decisions from the political arena, with its lengthy squabbles over who gets what. And his board members – who range from senior figures in local banking to small entrepreneurs – provide not only strategic direction and a feel for the business climate to the Pic, but can also give day-to-day practical advice and support services "which money can't buy".

The federal job training programme in Connecticut includes nurse's aide and photocopier repair

But despite all this support, the Pic's budget has been shrinking since 1984, because federal contributions relate to local unemployment levels, which fell sharply in New England in the late 1980s.

However, in another display of enterprise, Bridgeport has tapped the state of Connecticut for funds, and some 35 per cent of its $5m budget now comes from this source and is aimed at more welfare-oriented programmes, such as improving the employment chances of the Hispanic population.

But the budget squeeze has also forced the Pic to cut back on some of its more high-risk programmes, aimed at those who are hardest to train. And this highlights a major attack that has been made on the Pic system by critics who argue that it has basic flaws.

In particular, they say that rewarding private contractors for the number of trainees who get placed in jobs has created a "top skimming" bias; contractors choose for training those who would be most likely to get jobs anyway.

John Donahue, an assistant professor at Harvard Kennedy School of Government, says it is as if doctors "were presented with a large population of patients suffering from complaints ranging from tendonitis to brain tumours, were invited to choose two to three per cent of them for treatment, and paid on the basis of how many were still breathing when they left the hospital."

A report by the Department of Labor's Office of Inspector General in 1988 concluded that although the JTPA programme had led to 70 per cent achieving employment it was "not focusing on hard-to-serve individuals – the population segment where potentially the greatest returns on investment can be realised".

In Bridgeport, Durell acknowledges that "of the eligible population referred to them, they (the contractors) are probably going to take those they think are most likely to succeed". But he points out that the Pic tries to screen out those who would probably get jobs anyway; all those accepted fit the deprivation criteria – and their places could be filled three times over if the budget permitted.

The Pic programme in general is also attacked for emphasising short courses that will put people in jobs quickly, rather than longer term training that will produce more enduring results. The average training period is just three to four months.

Durell says this problem is built in by the JTPA law, which does not allow Pics to pay trainees living allowances, and that in turn limits the time they are able to remain in a programme. "We once tried a one year auto mechanics training course, but they all dropped out," he says.

In some parts of the US Pics have also been strongly attacked for wasting resources, for example, by subsidising companies for training people they would have hired anyway. According to the Labor Department study this applied to about 60 per cent of on-the-job trainees.

None of these criticisms brands the Pic programme as a failure. It is certainly more successful than its predecessors in finding jobs for the poor, but it does have major flaws if it is regarded – as it should be – primarily as a welfare programme.

What it is most certainly not – and was never intended to be – is a national training programme which addresses the serious deficiencies of America's school-to-work transition in an age that demands a more highly skilled working population than before.

This was underlined in a high-powered report* published last year by the influential National Center on Education and the Economy, which said that the JTPA programme was well intentioned, "but because the programmes are designed exclusively to aid the disadvantaged and dislocated populations, benefits are marginal in the labour market".

Instead, the study called for the establishment of state and federal Employment and Training Boards to take a comprehensive look at the nation's critical manpower problems. Perhaps in a few years' time this new enthusiasm will cross the Atlantic too.

**America's choice: high skills or low wages! National Center on Education and the Economy. 39 State Street, Rochester, New York 14614.*

Previous articles in this series were published on November 28, December 3, 10 and January 2.

UK adviser puts US Pics in the frame

Cay Stratton, the UK government's special adviser on its new Training and Enterprise Councils, was depressed but undaunted by a recent visit to a conference of Private Industry Councils (Pics) in the US.

Many Pics, she says, had rapidly deteriorated into low-calibre administrators of welfare programmes for the long-term unemployed.

Stratton believes that Britain can avoid this as it establishes a network of Tecs. While Britain is drawing on the US Pics experience, the aim is to create bodies in the mainstream of the country's vocational training.

Stratton, until 1988 assistant secretary of economic affairs for employment and training in the state of Massachusetts, argues that there are several very clear reasons why most Pics – which, like Tecs, are private sector-led bodies which administer publicly funded schemes – have deteriorated.

A basic weakness, says Stratton, is that their structure is not a particularly workable resolution of the balance of power between the public and private sectors.

Pics, by statute, were responsible for planning and broad policy decisions but they could not make any resource allocations or contracting decisions without the approval of the local authority. This could be a county or a municipality with widely differing political agendas for training.

Federal funds – which were substantially reduced during the 1980s – flowed through the states to the local authorities which in most cases employed the Pic staff. Stratton says this resulted in many Pics becoming little more than advisory bodies subject to the political vagaries of their pay masters.

In contrast, Tec boards in the UK are not responsible to local authorities. (Business leaders in the UK have nevertheless complained that the government, in setting funding levels tied to the delivery of specific programmes, has given them little room for manoeuvre.)

Stratton argues that Tecs have much more executive power than their US counterparts and clearer responsibilities. She says when executives joined Pic boards they were promised money, power and influence. But in practice they only had funds for limited programmes if their local authority approved them; they often had no staff of their own and their remit got narrower as new government programmes were set up alongside them.

Stratton says she does not see the British government marginalising Tecs in the same way or retreating from its guarantee to provide training for young people and the long-term unemployed. In the US – where Pics' only statutory responsibility is to provide training – there are no guarantees of training for young people and adult programmes have only been for the most disadvantaged.

The remit of Tecs is critically different, says Stratton, in that they are also being asked to involve themselves in education, stimulating enterprise, and local economic growth. Stratton concedes, though, that the bulk of Tecs' funding is for national training programmes.

"The vision may not match the resources," she says. "But in areas like education I believe that the issues are less about money and more about influence and partnership."

She says that Tecs, unlike Pics, could legitimately seek real partnerships with a number of bodies including local authorities. This wider role, she argues, has been responsible for attracting a good calibre of senior executives to Tec boards.

Pic boards, she says, are increasingly being made up of vice presidents of personnel rather than chief executives who had the clout to influence public institutions or their fellow employees.

Levels of funding did play a role in keeping chief executives on boards, says Stratton, who points out that federal US funds spent on training amount to about $3.5bn a year compared with £2.5bn in the UK. She diplomatically says that she believes the level of funding of Tecs at present is adequate. She declines to comment on government plans to reduce spending on Tecs but says: "I believe that if you reduce funding over time so that simultaneously you are reducing the breadth of remit you will be in serious trouble."

Lisa Wood

LEGAL COLUMN

EC proposal raises fears over flexibility of takeover rules

By Robert Rice, Legal Correspondent

APPREHENSION in the UK about the effect of the EC's 13th directive on company law - the takeover directive - was not noticeably reduced by publication of the latest draft in September last year.

In October the Department of Trade and Industry emphasised that the amended EC proposals did not resolve the fundamental issues. The DTI maintains that important elements of flexibility and certainty are present in the UK system for controlling takeovers through the Takeover Panel and the City Code on Take-overs and Mergers. It believes those elements are threatened by the directive.

The Law Society's influential company law committee has now added its voice to those expressing concern about the amended EC proposal. In detailed comments to the DTI, it echoes the department's concerns. It says that the ability of the UK system to meet new developments, and the speed of panel decisions, might be lost if the proposal was implemented in its present form.

The process of takeovers under the system proposed by the directive would become more bureaucratic, costly and legalistic, it says.

The draft appears to give the relevant "supervisory authority" - in the UK, the Takeover Panel - a considerable measure of discretion. But it will always have to give reasons for using that discretion.

That fact, combined with the introduction of "principles" to be followed, must inevitably circumscribe the panel's discretion and increase greatly the opportunity for challenge through judicial review. The potential for an unwelcome growth in litigation during the course of bids is substantial.

The committee says there are several structural requirements for a bid which any system of control should provide for. It adds that some of them do not appear in the latest draft. The committee is chaired by Mr Bill Knight of Simmons & Simmons, the City solicitors.

In all cases, it says, it should be a condition of any offer that the bidder will end up holding not less than 50 per cent of the voting rights of the target company. In other words, a successful bid must result in legal control passing to the bidder.

Except in the case of a mandatory bid, the committee believes that a bidder should be free to set an initial minimum level of acceptances. It feels that a bidder should also be free to waive the requirement to reach a minimum level provided that the 50 per cent test is met.

The committee says, however, that a bidder should not be allowed to set a maximum level of acceptances. It says the bidder should be

- obliged to honour all acceptances received above the minimum during the period of the offer;
- able to close a bid by giving prior notice of its intentions to do so before the end of a 10-week period, provided it has reached the minimum level of acceptances and provided the 50 per cent test has been met;
- able to keep an offer open after the end of the 10-week period, provided the offer has previously become unconditional, in other words that it is binding on the bidder.

There are several issues which the committee says require further amendment or clarification. In particular it is concerned about:

- provisions for selecting the appropriate supervisory authority within the EC, which seem unworkable;
- the lack of provisions supporting the obligation to make a mandatory bid once the relevant threshold interest in the target company has been acquired, which in effect renders that obligation valueless;
- the inability of the supervisory authority to give general dispensations or derogations;
- the complete freedom of offerors (bidders) to select the maximum and minimum percentages of shares to be acquired;
- the lack of clarity in the provisions relating to the conditionality of bids.

Of these principal concerns, the most worrying to the committee is the lack of provisions to support the obligation to make a mandatory bid once the threshold interest has been acquired in the target.

Article 4 of the directive imposes the mandatory bid obligation, and appears fundamentally flawed. There is nothing, for example, which controls the terms of the bid which an acquirer is obliged to make.

The bid can be conditional; it does not have to be of any particular value; it does not have to be in cash or with a cash alternative. Most worrying of all, the bid can set a minimum percentage of acceptances which is so high - 100 per cent - as to make the percentage unattainable in practice. That will in effect defeat the purpose of having a mandatory bid obligation.

The purpose of a mandatory bid obligation is to allow shareholders in a company where effective control has passed to an acquirer to sell their interest at a price which reflects the price paid by the acquirer in gaining control. As now drafted, the directive fails to accomplish that objective.

Potential for growth in litigation is substantial

The committee's concern about proposals covering the supervisory authority centres on the issue of how the authority responsible for supervising the publication of an offer document is to be designated.

Before the amended EC proposal was published, the European Parliament tried to clarify that issue with a revised clause which said that the choice of appropriate supervisory authority should normally be determined by the location of the place where the securities of the target company were "first admitted to trading".

That does not improve matters much, however. Where the target company has its registered office and its shares admitted to trading in the same EC state it will be clear which is the appropriate supervisory authority.

When, for example, the securities of the target company were offered and listed in a number of countries at the same time, it may not be so clear where they were "first admitted to trading".

Even where it is clear, the committee says, it by no means follows that the member state in which the offeree's securities were first admitted to trading will represent any more logical or satisfactory a choice than any other member state where they are being traded at the time that the bid is made.

The draft does not say whether a target company must have its registered office in a member state in order for the directive to apply. However, if the committee is right to assume that is the case, such a requirement could result in a bid for a company with its registered office in the UK, whose securities were first traded in Luxembourg, being supervised by the Luxembourg authorities even though the securities are not listed in Luxembourg when the bid is made.

If, however, the committee is incorrect in its assumption that a target must have its registered office in the EC, then a non-EC company which has a class of voting securities or potential voting securities traded on an exchange in the EC could find that any bid made for it, even by another non-EC company, would be subject to the supervision of the member state where those voting securities are traded.

Thus, a bid by one US company for another US company which just happens to have some of its stock listed in, say, London, could be subject to supervision by the Takeover Panel. That is obviously unsatisfactory.

There is much scope for confusion and uncertainty, and the DTI must push for some form of amendment which would ensure that the issue of jurisdiction is beyond doubt in each case and is soundly based in law.

In general, however, there appear to be serious objections to the EC directive as it is now drafted. If the flexibility and certainty of the present UK system is not to be destroyed, a great deal of work remains to be done before the EC measure can be adopted safely.

ARCHITECTURE

The Peer and the Poultry

Colin Amery hopes that the Law Lords will reject Mr Palumbo's plans for the Mappin & Webb site

Mr Peter Palumbo is in limbo. He still does not know which way the noble judges in the House of Lords are going to decide the fate of his proposals to demolish one of the last remaining chunks of the 19th century City of London. The case will be heard in the House of Lords next week on January 14.

In the *Gilbertian* world of political honours, Mr Palumbo was given a life barony by Mrs Thatcher in her resignation lavender list and is currently at that awkward stage of being a peer without a gazetted title. Will he opt for Lord Palumbo of Poultry to commemorate his *long* skirmish in that *street?*

Mr Palumbo is a peer with many seats. He is the only peer in the world with a set of modern movement houses by Mies van der Rohe and *Le Corbusier*. He is certainly the only peer to be much involved in a new group that is dedicated to the preservation of the evidence of the modern movement in architecture. This enjoys the title of Docomomo because it is about the documentation and conservation of that period – Lord Docomomo? . . . a certain exotic rhythm . . .

Like all enthusiasts for the extremes of the modern movement, and most peers, Lord P's main seat is a good Georgian manor in Berkshire with the odd ornament by that well known modernist Quinlan Terry. *The barony of Bagnor* is perhaps too conventional. Perhaps he will settle for the decent obscurity of a Scottish title – Baron of Ascrib, after the *Hebridean* island where he is building his most recent seat. That would also commemorate for his lifetime the moment when he admitted he was really a conservationist. He felt the island was too beautiful for a new building and so he and his architect, Mr Stephen *Gardiner, are placing* the Scottish seat underground. If only he felt the same way about the City.

While it may be fun to toy with titles in our classless society, the issue that the Law Lords will be looking at on January 14 is a serious one and we should be *grateful to Lord* P. for giving the nation the chance, once and for all, of settling the question of when is a listed building a listed building *and whether* the protection currently offered by the law is working adequately.

The story so far . . . Mr Palumbo owns a slice of the City at the end of Cheapside and Poultry by the Mansion House. It is often known as the Mappin and Webb site after the jewellery shop which has been there for so long. The site is currently occupied by a group of good 19th-century commercial buildings – the Mappin and Webb building being an interesting exercise in commercial gothic by J and J Belcher of the 1870s, with its fine circular Franco-Flemish tower at the apex of the site. There is a lot of good craftsmanship on all the other buildings – stone carving, terracotta, ironwork – everyone, including Mr Pal*umbo, has said that it makes* perfectly good commercial sense to refurbish all the buildings as shops and offices. Eight of them are listed and the whole site is in an important conservation area and is part of an Area of Special Character under the Greater London Development Plan.

Many years ago Mr Palumbo wanted a new building on the site – a tower by Mies Van der Rohe with a new square by the *Mansion* House. That scheme was turned down at a public inquiry in 1985. The then secretary of state for the environment left a tiny loophole in his decision letter when he said that redevelopment might not be ruled out "if there were acceptable proposals for replac*ing the existing buildings.*" This loophole led to proposals for a completely different sort of building by architect Janes Stirling.

There was another public inquiry. Once again the City Corporation, English Heritage, and many local and national bodies were all opposed to the demolitions. This time the inquiry inspector's report was a strange illogical document that seemed to ignore conservation law and argued that the replacement building "might just be a masterpiece." Mr Nicholas Ridley's decision letter after this 1989 inquiry was less certain that his inspector, but he thought the scheme to demolish everything should go ahead because the new building may be a "worthy modern addition." It is Mr Ridley's maverick departure from official conservation policy without giving adequate reasons that caused his decision letter *to be challenged in the High* Court and subsequently in the Court of Appeal.

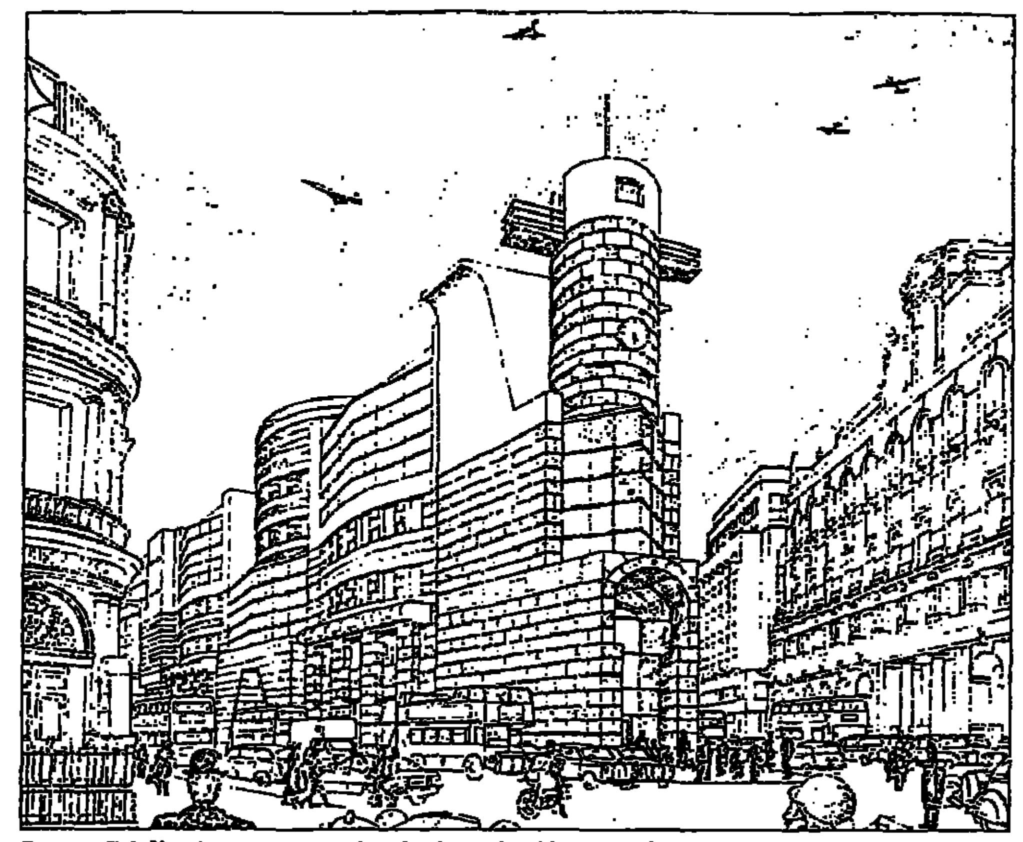
These two courts of law came to differing conclusions, which seemed to bear out the public feeling that Ridley and his inspector had followed neither the letter not the spirit of the conservation rules. In particular it is clear that if a minister makes a major departure from the rules (especially Circular 8/87) he must give adequate reasons. Lord Justice Woolf's full judgment in the Court of Appeal (March 30, 1990) which quashed the secretary of state's decision (his letter of June 7, 1989) and set aside the Order of the High Court (December 19, 1989) – made it crystal clear that the secretary of state did not give *adequate reasons for his decision*, especially as his decision marked a major change of policy.

The conservation policy as expressed in government circulars and in current practice and advice to local authorities is completely clear. When it comes to the whole question of listed buildings the presumption is in favour of preservation. "Every possible effort must be made to continue the same use or find an alternative use" before any listed building consent is granted. The question of the quality of the replacement has never been an issue and cannot be because it is far too subjective and would lead to every developer making his own case for a "worthy modern addition" on the sites *of ruined listed buildings.*

I hope that the House of Lords will end Mr Palumbo's limbo and not allow exceptional treatment for this City site which would be an alarming precedent for the future of the mere two per cent of our building stock that is listed.

It has never been clear why Mr Palumbo cannot build a fine Stirling building or any other good building on another *site that he owns. I would* be the first to agree that we need more good buildings in the capital instead of the ever-rising tide of developer mediocrity.

Please your Lordship, refurbish your listed buildings, demolish Bucklersbury House *or any other indifferent slab* that your companies own and earn your ermine by adding to London's architectural stock without diminishing it at the same time.



James Stirling's controversial designs for No.1 Poultry in the heart of the city

SPONSORSHIP

Guaranteed growth comes to an end

Arts sponsorship has been one of the great British growth industries of recent years, with business funding of arts events rising seamlessly from under *£10m a decade ago to over* £30m last year. 1991 could see an end to guaranteed growth.

Companies will be less willing to support the arts at a time of falling profits. It might seem like bad public relations to be entertaining guests at a sponsored opera, or to finance a ballet tour, while announcing redundancies. In addition some important sponsors, like British & Commonwealth and Coloroll, have already gone to *the wall, while other sectors* which have been major backers, like the banks and financial services, and property companies, face particularly hard times. Unfortunately the arts are not yet seen as a priority.

Foreign companies, especially the Japanese, still view the arts as a good way of generating goodwill and contacts in an overseas market, and privatised companies, and those about to follow this route, remain an important force, but it will be a hard slog for arts companies to which verge on the dependent.

In particular business will be reluctant to renew links after the (typically) three-year-long partnerships expire. The biggest arts prize, the £100,000 given by the Prudential to what the judges reckon to be the most imaginative arts company in the UK, ends its natural term this year, as does the *Shell-BAFTA link. Will they be* renewed? Scottish Amicable has already announced that its aid for the Edinburgh Festival is to be discontinued. It was dissatisfied with its media coverage.

The tougher climate for attracting sponsors makes nonsense of the Arts Council's Enhancement Fund, under which certain companies selected for excellence, notably the RSC and the Royal Opera House, will receive extra Council money if they can raise matching sums from business or local authorities. The City might bail out the RSC again *but other local councils* are severely strapped, and the likelihood of sponsors contributing an extra £10m over three years to allow a handful of Arts Council clients to justify Enhancement money is not feasible.

The Enhancement Fund can also have a negative impact on those companies, such as Welsh National Opera, which was not favoured. This makes it even more essential for the *WNO to achieve its ambitious* sponsorship target but prospective backers will wonder why the Arts Council did not support it.

The Association for Business *Sponsorship of the Arts must* work on the new minister for the arts, Tim Renton. His predecessor, David Mellor, pointedly failed to increase the £3.5m the government contributes to the Business Sponsorship Incentive Scheme. Behind a genial exterior Mr Renton is proving to be his own man and quite capable of changing policy. However, although approaches from new sponsors for matching money from the *BSIS are currently on target*, the slow-down in sponsorship might mean that the frozen £3.5m for 1991-92 will be sufficient to meet the reduced demands upon its coffers.

★

In the next few weeks Shell must decide whether to maintain the biggest arts sponsorship in the UK – the £1m a year which it has given for the last three years to the British Association of Film and Television Arts (BAFTA). The deal ends in the summer but has now been extended for another six months. The appearance of Shell's new UK chief executive, Mr John Collins, at the recent European Film Festival in Glasgow, also sponsored by Shell, suggests that the link will be maintained, at least for another year.

The money, spent on promotional events which attract wide television coverage, such as the BAFTA awards for the best British film and television programmes of the year, educational work in the industry, and the development of British film overseas, is crucial to BAFTA, especially at a time when other backers, like the regional TV companies, face a difficult future.

Shell's decision to bail out the European Film Festival with £100,000 could be the start of an international connection between Shell and the film industry. When the Festival returns to Berlin next year it could be the first joint sponsorship by all the Shell European subsidiaries. Unlike other *global oil companies Shell* allows its national managers to decide on the dispersal of their marketing budgets, but the Film Festival, which represents the coming together of nations east and west, offers just the right platform to launch an international profile for Shell. Sponsorship would cost around £1m and now the individual companies will be asked for their contributions.

Antony Thorncroft

The Pitchfork Disney

BUSH THEATRE

It is the naughty-boy aspect of Rupert Graves that makes him appealing. As the movies *A Room with a View* and *Maurice* and the play *A Madhouse in Goa* have shown, he is skilful enough to play, convincingly, characters from different classes, regions, nationalities. But always he remains not fully adult, and unburdened by responsibilities or consciousness of sin. His new role, at the centre of Philip Ridley's *The Pitchfork Disney*, twists this to brilliant effect.

Graves is the 28-year-old Presley Stray; he and his twin sister Haley (Tilly Vosburgh) are self-locked into childhood. Alone in their small and shabby flat, they are a Hansel and Gretel who have stayed in the wood, obsessed by sweets, wracked by nightmares, terrified of the big wide world, still in need of parental support. Chocaholism has made their teeth black and rotten; both habitually wear kiddie-type nightwear; and they depend on pills and medicine.

This is the first stage play by Ridley, who is already known for, among other things, his paintings, his fiction for both adults and children and his screenplay for *The Krays*.

The Pitchfork Disney draws several of his concerns – fear and fantasy, childhood and adult life – together. When Presley has sedated Haley, who is the more disturbed and scared of the two, he admits to the flat a young man he has seen outside, the ludicrous and narcissistic spiv Cosmo Disney (Dominic Keating) – who, to poor Presley, is an icon of virile glamour and self-sufficiency.

Alastair Muir

Graves as the superficially bright Presley

What follows is the main core of the play. Disney is a flash teenager, all bright and brittle surface; Presley is all pulpy core, an adult retarded, childish and vulnerable.

Disney's overt homophobia *meet Presley's covert* and confused homosexuality. At times, their dialogue becomes a power-struggle, for Disney has his phobias and fantasies too. But Disney's main function is to make us aware of Presley's confused subconscious. He wants Disney as hero, friend, master, father and lover, but he also recognises that Disney embodies all that he most violently dreads.

There are threads – especially the hefty hints that *Disney is every bit as strange* as Presley – that Ridley chooses to leave dangling in mid-air. I wish there were more of them.

As a voyage into the subconscious, *The Pitchfork Disney* is rather too surely mapped out. Know Your Self, it says; and Face Your Phobias. Graves makes Presley's long narration of his recurring nightmare the gripping climax of the performance – listening in horror, I wriggled and thrashed around as violently as I do in an Indiana Jones thriller – but really it is not only longer than any true *dream, it is also more obvious.*

Ridley paces his play well, working frequent humour and oddly poetic strokes of absurdity into his story. Graves and Vosburgh are both alarmingly good as the twins; Graves, playing Presley with maximum objectivity and zero cuteness, gives a gripping, subtle and, yes, oddly loveable performance. Every word, in Matthew Lloyd's direction, makes an impact. I have not heard any of Ridley's three radio plays, but I can imagine that *The Pitchfork Disney* would have an even stronger effect on soundwaves alone. Something, however, *that a* stage play needs to make full effect, is missing here: a persuasive sense of place.

Alastair Macaulay

The Ring Saga

QUEEN ELIZABETH HALL

The City of Birmingham Touring Opera pocket version of Wagner's *Ring Cycle* – the four parts condensed into two, *the orchestration reduced to* chamber-ensemble proportions, the cast list pruned of smaller parts – has arrived in London for three complete performances. On tour it has been greeted with audience cheers and a general expression of critical wonderment: my colleague in *The Spectator* deemed it "a miracle". At the first of the London showings, on Thursday and Saturday, there were the same expressions of *approval from a huge audience* – and, in one lonely seat in Row H, a critic so racked with misgiving that for him the whole experience took on the *aspects of a nightmare.*

A noble aim inspired the project: to desire to carry this mightiest of operatic creations into places where it has never been, for audiences not composed of opera-house habitués, in a style intended to attract newcomers rather than scaring them off (the use of Andrew Porter's superb translation, that beau ideal of the genre, is of inestimable help).

So far so good: the Jonathan Dove *orchestration, once one's* mental dials have been re-set, proves constantly ear-opening, imaginatively fresh equally in passages dependent on timbre-contrasts *and in its chamber*-scale re-invention of musical grandeur. (Simply as playing, and in defiance of Simon Halsey's ploddingly pedestrian conducting, the tireless CBTO Orchestra provide themselves an astonishing feat of adaptability and simple stamina.) And Graham Vick's penny-*plain production, though it* demonstrates a surprising lack of engagement with the work's burning issues, and a surprising lack of colour and fantasy in its treatment of characters and spectacle, certainly tells the story straightforwardly enough.

The stepped portable theatre enclosing the orchestra, dull to look at, is capable of welcome enlargements of dimension and vista when needed. As a forcing-ground for young British Wagner singers – notably Linda McLeod (Brynhild), Yvonne Howard (Fricka and Waltraute), Keith Latham (Alberich), and Peter Sidhom (Donner and Gunther) – who can be expected to grow into the "real thing", this *Ring Saga* has shown itself particularly valuable.

But the whole enterprise really comes to grief on the absurdity of the performing edition. The necessary cramming-in of narrative results in acts of elephantine length and, worse, impossible structural basis – when the transitions *between and slow buildings* toward climaxes are truncated or jumbled in this way, the result is indigestibly slow and protracted beyond all imagin*ing, and in the highest degree* untrue to Wagner.

The second act of Part 1, containing as it did episodes from different *Walküre* acts stuck together, was the *ne plus ultra* of this operatic equivalent of gibberish; those who know their *Ring* well may enjoy moments of passing amuse*ment at the sheer chutzpah of* some of these Dove-Vick join-ups, but these are poor compensation for the loss of intelligible dramatic momentum. I *think* any of the recent or current *Rings* on television would serve the newcomer infinitely better. In any real sense *The Ring Saga* simply doesn't begin to work.

Max Loppert

Puss in Boots

THE PLAYERS THEATRE

The Players Theatre used to be a friendly, raffish, unpretentious, sort of place stuck under the arches of Charing Cross Station. Then a developer got his hands on the site, and the Players was forced to squat until last year when it was decanted back into a pastiche of its old club room inside the high-tech office block.

Every Christmas the Players presents a pantomime which is antediluvian in its traditionalism. Director and designer Reginald Woolley takes the *text of a Victorian panto*, grafts on tunes of the times, and stands well back. A year ago I enjoyed a beautifully sung version of a *Cinderella* of 1860 vintage with an attractive cast, lots of exciting cross dressing, and no little wit.

This year it is the 1837 *Puss in Boots* of J. R. Planché and the thrill has gone. The pun laden rhyming couplets fell like so many cheap cracker mottoes on the ears and the cast sparkled like last night's cheap champagne. Sheila Burnette burst an old trooper's gut *as Puss and got some support* from Michael Sadler as a clean limbed and bright voiced Ralph, but what promised to be an exhilarating novelty turned *out to be a museum piece.*

The evening was flat, perhaps because of post-Christmas torpor, perhaps because the new theatre lacks the good natured squalor of its predecessor. A night at the Players for the music hall which is its stock in trade has always been a hit and miss affair, with much depending on the brio of the chairman and the availability of artistes, who are either young hopefuls or resting old pros, leavened by the odd big name who feels nostalgic about his Players apprenticeship.

But the new theatre seems to be promoting itself as a tourist attraction rather than a quaint British cult. The Players has always attempted something *impossible – to re-create* the past. It comes closest to success with bonhomie rather than through ritual.

Antony Thorncroft

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Orchestra of the Age of Enlightenment plays Bach. Wed and Thurs: Neeme Jarvi conducts the Concertgebouw Orchestra in a programme of Stravinsky, Bartok and Mendelssohn (718345)

■ BERLIN

DANCE
Deutsche Oper 18.00 Ring um den Ring, joint production by Deutsche Oper and Béjart Ballet Lausanne, four hours of Wagner's music choreographed by Maurice Béjart. Repeated tomorrow and Wed. Thurs: Rigoletto. Fri: Aida (3410 249)
MUSIC
Komische Oper 20.00 Funf Mädchen und kein Mann, operetta by Suppé. Tomorrow: Harry Kupfer's German-language staging of Cosi fan tutte. Wed: Swan Lake. Thurs: Entführung. Fri: La Bohème (2292 555)
Schauspielhaus 20.00 Simon Rattle conducts Berlin Philharmonic Orchestra in Szymanowski's Stabat Mater and Mahler's Resurrection Symphony, with soloists Alfreda Hodgson, Arleen Auger and Willard White (2614 383)
THEATRE
Deutsches Theater 19.30 Nachtasyl, play by Maxim Gorki. Wed: Goldoni's The Servant of Two Masters (2871 225)
Schiller Theater 20.00 Weekend im Paradies, farce by Franz Arnold and Ernst Bach. Thurs: Schiller's Die Rauber (3195 236)

■ BONN

Oper 20.00 Recital by Jose van Dam, with songs by Duparc and Schumann. Wed: Rigoletto. Fri: Swan Lake. Sat: The Nutcracker. Sun: Die Frau ohne Schatten (773667)

■ BRUSSELS

Palais des Beaux Arts 20.00 Piano recital by Pierre-Alain Volondat. Tomorrow: Les Violons du Roy play symphonies and concertos by Mozart. (507 8200)

■ COLOGNE

Philharmonie 20.00 Jiri Belohlavek conducts music by Lubos Fiser, Mozart and Dvorak with the Gurzenich Orchestra. Repeated tomorrow (2801)
Schlosserei 20.00 The Seven Deadly Sins by Bertolt Brecht and Kurt Weill (221 8400)

■ FRANKFURT

Kammerspiel 20.00 Pinter's The Caretaker (236061)
Opernhaus The Frankfurt Opera is closed until the main theatre reopens on April 6. Until then the company will undertake a limited touring programme

■ HAMBURG

Philharmonie 20.00 Neville Marriner conducts Hamburg State Philharmonic Orchestra in Mozart's Symphony No 32 and Elgar's Enigma Variations, with Christian Zacharias soloist in Mozart's Piano Concerto No 16. Also tomorrow (351555)

■ LONDON

MUSIC
Covent Garden 20.00 First night of new production of Capriccio staged by John Cox, designed by Mauro Pagano and conducted by Jeffrey Tate, with cast led by Kiri te Kanawa, Anne Howells, David Rendall and Thomas Allen. Also Fri. Wed and Sat: Die Fledermaus (240 1066)
Coliseum 19.30 The Love for Three Oranges, staged by Richard Jones with cast led by Anne Collins as Princess Clarissa, Phyllis Cannan as Fata Morgana and Donald Maxwell as Leander. Also Wed and Sat. Tomorrow and Fri: Madam Butterfly (836 3161)
DANCE
Royal Festival Hall 19.30 English National Ballet production of The Nutcracker choreographed by Peter Schaufuss. Runs till Sat (928 8800)
THEATRE
This week's shows include Pinter's The Homecoming directed by Peter Hall, with Warren Mitchell and Cherie Lunghi (Comedy, previews). Also The Wind in the Willows directed by Nicholas Hytner and Ian McKellan as Richard III (National), Ingmar Bergman's Scenes from a Marriage (Wyndham's). Vanessa, Lynn and Jemma Redgrave in Three Sisters (Queens). Joan Collins in Private Lives (Aldwych), Miss Saigon (Drury Lane), Andrew Lloyd Webber's Starlight Express, Aspects of Love and Phantom of the Opera. Anouilh's The Rehearsal (Garrick), Ayckbourn's Man of the Moment (Globe, closes Sat) and Absurd Person Singular (Whitehall). Phone Theatreline for seat availability: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MUNICH

MUSIC
Staatsoper 19.00 First night of Yuri Lyubimov's production of The Love for Three Oranges designed by David Borowski and conducted by Wolfgang Sawallisch. Cast includes Alejandro Ramirez, Artur Korn and Sabine Hass. Also Wed and Sat (221316)
Philharmonie 20.00 Munich Philharmonic Orchestra conducted by Uros Lajovic play Mahler's First Symphony and Tchaikovsky's Violin Concerto, with Thomas Zehetmair soloist. Repeated tomorrow (48098 614)
THEATRE
Prinzregententheater 19.30 Mein Kampf by George Tabori (225754)

■ NEW YORK

MUSIC
Metropolitan Opera 20.00 Andrea Chénier conducted by Julius Rudel, with Lando Bartolini in the title role and Sherrill Milnes as Gerard. Tomorrow and Sun: Faust. Thurs: James Levine conducts new production of Die Zauberflote (362 6000)
THEATRE
This week's shows include Assassins, new musical by Stephen Sondheim (Playwrights Horizons), City of Angels, musical about Hollywood in the 1940s by Larry Gebhart (Virginia), Black and Blue, an evening of classic jazz and blues with tap-dancing (Minskoff), Monster in a Box, one-man show by Spalding Gray (Lincoln Center) and Six Degrees of Separation, new play by John Guare (Lincoln Center). Ticketron (239 6200) answers inquiries and sells tickets

■ PARIS

Music
Opera Bastille 20.30 Marek Janowski conducts Orchestre Philharmonique de Radio France in Schumann's Fourth Symphony and Mendelssohn's incidental music to Die erste Walpurgisnacht. (4001 1616)
Théâtre des Champs-Elysées 20.30 Shlomo Mintz is conductor and soloist in all-Mozart programme with Israel Chamber Orchestra, with Augustin Dumay violin, also Thurs. Tomorrow: The Golden Cockerel, final performance in Paris season of Leningrad's Maly Theatre (4720 3637)
TMP-Chatelet 20.30 Piano recital by Daniel Barenboim. Tomorrow at 19.00: Hermann Prey sings Schubert (4028 2840)

■ PRAGUE

Smetana Theatre 19.00 Don Giovanni. Tomorrow: Martinu's The Miracle of Our Lady. Wed: Madam Butterfly.

■ ROTTERDAM

De Doelen 20.15 Biedermeier Quintet and Ronald Brautigam piano play music by Reicha, Spohr and Onslow. Thurs and Fri: Mariss Jansons conducts Rotterdam Philharmonic Orchestra in Bartok and Beethoven, with Alicia de Larrocha (413 2490)

■ UTRECHT

Vredenburg 20.15 Piano recital by Alicia de Larrocha. Fri: Hans Vonk conducts Netherlands Radio Philharmonic Orchestra in Bruch and Tchaikovsky. Sat: Mariss Jansons conducts Rotterdam Philharmonic Orchestra. (314544)

■ VIENNA

MUSIC
Staatsoper 19.30 The Nutcracker. Tomorrow and Fri: Tristan und Isolde with Hildegard Behrens. Wed: Placido Domingo and Agnes Baltsa sing Samson et Dalilah, conducted by Georges Prêtre (51444 2960)
Musikverein Grosser Saal 19.30 Isaac Karabtchevsky conducts Tonkunstler Orchestra in Brahms German Requiem, with soloists Tina Kiberg and John Brocheler.
Brahms-Saal 19.30 Vienna String Sextet play works by Zebinger, Mozart and Gade (505 8190)
THEATRE
Akademietheater 20.30 Siberien by Felix Mittlerer. Also tomorrow (51444 2218). Telephone sales of tickets for Staatsoper and Volksoper available worldwide for holders of credit cards by ringing Vienna 5131 513

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How to help east Europe

A YEAR OR SO ago President Gorbachev looked like Good King Wenceslas, the Czech king immortalised in the carol. The whole of eastern Europe, minus the Baltic states and Königsberg, virtually all of Stalin's wartime gains, were given up without a fight. Walls fell, the shadow of nuclear war lifted, new vistas opened up for future global co-operation. The ode to joy rang loud and clear.

That sound already seems distant. The West's relief at the ending of the Cold War is history. It has been superseded by fears of political instability and an awareness that integrating eastern Europe, not to mention the Soviet Union, into the world economy poses difficulties of an hitherto unimagined complexity.

If successful renovation of eastern Europe will be difficult, that of the Soviet Union looks almost impossible. Mr Gorbachev's perestroika has failed. The Soviet economy now stands on the edge not of a radical structural reform, but rather of a hyperinflationary collapse.

The discrediting of the Stalinist system has led not to a new socialist humanism, but to confusion, disruption and fear. Mr Gorbachev has accumulated enormous emergency powers but, in the process, has lost his trusted foreign minister, who warned just before Christmas that the "men with epaulettes" wished to restore dictatorship.

Confusion and fear

Five years of unprecedented contacts with western governments, arms control experts, politicians, businessmen, bankers and academics dramatically changed the perceptions of the top leadership about the backwardness of the Soviet model. The original concept of a reform aimed at preserving the essence of the Soviet system – still adhered to by men like Mr Nikolai Ryzhkov, the Prime Minister – carries no intellectual conviction.

In its place has come radical talk of free markets, private property and other "bourgeois" concepts, like the rule of law and multi-party politics. Proposals for radical economic reform, such as the Shatalin plan, were accompanied by plans for a new Treaty of Union and talk of a break up of the centralised state on federal lines.

Unfortunately, ideas like these have no virtually no roots in Russian history. They appear to be understandable to, and acceptable by, only the tiniest minority of the Soviet elite. Fortunately, some of the economies of east Europe are better equipped and far further ahead. The best prognosis is reserved for the few "fast track" economies of a region where economic backwardness tends to deepen the further east one travels.

The absorption of eastern Germany into the former Federal Republic is a special case. While the initial shock has been immense, east Germany does have west German resources, skills and money at its disposal.

Czechoslovakia, Hungary and Poland lack this advantage, but at least they have neither the massive inflationary overhang nor the political problems that bedevil the Soviet Union. Their aim is to be eligible for EC membership by the end of the century. This aim is ambitious, but feasible. For the EC, it should be an imperative.

Further ahead though they may be, even these countries need as much help as possible in the face of growing popular disenchantment with the sacrifices required. Without support from the West there is a danger of bitter political divisions and a destructive populism.

For their part, Romania and Bulgaria need re-assurance that their distance from the main european markets and relative economic backwardness do not disqualify them from a future in Europe. Their best hopes lie in modernising their agricultural and tourist industries. They could also capitalise on their proximity to the middle east.

All these countries are now looking to Europe, America and South-east Asia to help rebuild their economies and sustain their societies, especially during the difficult next few years. At best, an orgy of more or less "creative destruction" is in prospect before the hoped for long-haul to a more prosperous future can begin.

According to a recent study by Morgan Stanley, national income in eastern Europe is likely to decline by 8.5 per cent in 1991 after this year's 11 per cent fall. Unemployment is likely to rise to 14m, or 21 per cent of the working population, by 1994 with another 30 to 40m prospective unemployed in the Soviet Union. Unemployment on such a scale would stretch these fragile societies to breaking point.

Over the last year an army of accountants, lawyers, entrepreneurs and dealmakers has been combing the hitherto inscrutable books of state owned enterprises seeking the answers to unasked questions about real asset values, cash flow and the like. Most of the answers have been bleaker than expected.

Strategic investments

The real value of the thousands of enterprises up for privatisation is minimal. The few "cherries", or "jewels in the crown" have been identified and the first big foreign equity investments – like Asea Brown Boveri's takeover of the region's power generating plant makers or the *Volkswagen link-up with Czechoslovakia's Skoda*, are starting to materialise. The pace should speed up in 1991 as western companies make the strategic investments which will link the economies of eastern Europe with those of the European Community.

Private investment will be forthcoming only slowly, but what should be the role of official assistance? Loans, technical assistance from the IMF and World Bank, greater access to protected markets for industrial and farm goods, the creation of currency stabilisation funds, large scale debt forgiveness are all important and helpful. These are the obvious components of the co-ordinated policy approach set down by the group of seven industrialised countries at the *Houston summit last July*.

None the less, official assistance can only be useful in response to a determined and well-conceived effort at reform. Aid is neither a substitute for such reform nor a guarantee that it will succeed. It should be offered as an incentive for the determined, not a cushion for the timid.

Where that determination exists, substantial support is justified, in certain cases by the west's moral obligations and in all cases by western self-interest. Where no such determination can be found, the West must be vastly more cautious. Propping up the incompetent will prove self-defeating, propping up the tyrannical is immoral.

Where the outcome matters most to the West – in the Soviet Union – *it can do least. The report from the four* western international agencies, published just before Christmas, clarifies the scale of the task and how little the Soviet government has achieved so far, other than destroy what it had and, in the process, discover how much has to be changed.

Where the West has both something to work with and a clear interest in a successful outcome, as in Poland, Hungary and Czechoslovakia, it should offer the help these countries need. These three countries must succeed. If they do not, the remainder will despair. If problems have turned out to be greater than initially hoped, the response should be a still greater willingness to help. Otherwise, the River Neisse will end up as the permanent border between two halves of a Europe as divided economically as it once was politically.

Aircraft leasing, one of the most spectacular bull markets of the past decade, faces tougher times. **John Plender** reports

A business comes back to earth

The world's leading aircraft manufacturers have the biggest backlog of orders in the history of the industry. The airlines are suffering from a sharp collapse in profitability as a result of soaring costs and uncertainty arising from tension in the Gulf. Banks are pulling in their horns, having earlier fuelled the boom in this exceptionally cyclical market. Such a combination of circumstances is clearly untenable and something has to give. All eyes are on the aircraft leasing companies, which are reckoned by some to account for nearly 40 per cent of the projected increase in the world aircraft fleet by the mid-1990s. More specifically, attention is directed at the *wunderkind* of this upstart business, the Shannon-based GPA Group whose chairman is Mr Tony Ryan.

GPA, which used to be known as Guinness Peat Aviation, is the creature of one of the most spectacular bull markets of the past decade. When aircraft orders collapsed in the early 1980s and overcapacity in the aerospace industry caused huge discounts to become available on the price of new aircraft, it was one of a small number of leasing companies to seize the buying opportunity before demand turned up. In the six years to March 31 1990, post-tax profits soared from $17m to $242m.

GPA's orders and options now account for half the aircraft orders of the whole leasing business and 10 per cent of the world total. On the basis of recent transactions in its shares (which remain unlisted) the company was valued at nearly $4bn before Iraq's invasion of Kuwait. The boardroom is now graced with such high-powered political and business dignitaries as Mr Nigel Lawson, former chancellor, Sir John Harvey-

The question that preoccupies the industry is how all the outstanding aircraft orders are going to be financed in a cold climate

Jones, late of ICI, former European Commissioner Mr Peter Sutherland and the last Irish premier but one, Dr Garret FitzGerald.

But times have changed. And the question that preoccupies the industry is how all the outstanding aircraft orders are going to be financed in a cold climate. More bluntly, are GPA and its fellow leasing companies about to go into a tail-spin?

The broad assumptions on which orders were being placed before the *Gulf crisis could be summarised* as follows. The growth in demand for air transport measured in passenger miles was widely expected to run at about 6-6¼ per cent during the 1990s, reflecting the underlying growth of gross world product. Deliveries of new *aircraft, on the basis of last February*'s authoritative annual forecast from Boeing, were expected to run at more than 700 a year in the five years to the end of 1995, while older craft were retired from the global fleet at the rate of about 300 a year.

Today, assumptions about demand are being scaled back as recession takes hold and ticket prices are raised in an attempt to pass on higher fuel and other costs. A question-mark hangs over the number of retirements from the fleet and thus over the requirement for new aircraft – not least because of the profound impact that the growth of the aircraft leasing business could have on the equation.

The growth of leasing companies before the 1980s was based largely on finance leases: long-term mortgage-type loans under which the lessor takes a banking return over the life of the lease, leaving the aircraft in the hands of the airline on expiry of the loan. Latterly the growth has come chiefly from much shorter-term operating leases, which run for only part of the life of the aircraft. Here the leasing company owns the aircraft and rents it to the airline. Together with its bankers and other financiers the lessor takes more of a risk on the residual value of the aircraft at the end of the lease than the creditworthiness of the airline. Increasingly, the operating lessor sells the aircraft, suitably packaged as a financial asset, to investors and then leases it back.

In both cases the exploitation of the airlines' capital allowances for tax purposes provides an important part of the rationale. With an operating lease the airline has the further advantage that the leasing liability is removed from the balance sheet. The leaders of the industry are GPA; the US-based ILFC, which was recently *acquired for* $1.3bn by insurance giant American International Group; and Ansett Worldwide Aviation Services, jointly owned by TNT and Mr Rupert Murdoch's News Corporation.

The economic *raison d'être* of leasing companies lies in arbitrage gains between different national tax systems and the respective requirements of airlines and manufacturers across the world. Yet it seems highly questionable whether that alone can explain such astonishingly rapid growth. Could it be that in acting as market makers in a very imperfect market the leasing companies and their backers are adopting more optimistic assumptions about operating risks and residual values than the airlines with which they do business?

By definition the leasing companies' customers tend to be the ones with balance sheets that cannot take the strain of more direct acquisitions of aircraft. The customers are also, given the short term of standard operating leases, able to structure their portfolios so as to reduce the number of aircraft very rapidly if passenger demand suddenly drops. *Risk* is thus transferred from the carrier to the leasing company, whose second-hand asset may turn out to be less valuable in a recessionary climate. A recent report from S G Warburg's Tokyo office concludes that "a major contribution *to the popularity of operating* leasing is a mismatch in the assessment of equipment value risk between airline managements and lessors". Warburg's analysts foresee "ruinous overcapacity" on the basis of present demand and order trends.

That is by no means a unanimous view. Mr Julius Maldutis of Salomon Brothers (which is a shareholder in GPA) argues that the glut will be confined to older aircraft. And because a decade of fleet modernisation was largely postponed in the previous downturn, the industry is, he believes, at the start of "a massive aircraft grounding cycle that will take a decade to complete", which would imply a shortage of modern aircraft. That is what GPA is gambling on. But the stakes are now much higher than in its earlier buying spree in the 1980s. Even without recession and the Gulf crisis, the group's balance sheet would pose a monumental question.

GPA's capital commitments at the end of September were for firm orders *of $11.8bn and a further $13bn or so of* non-binding commitments such as options – huge sums in relation to its existing equity of about $1bn and credit facilities of $5½bn. And the risks are all the more daunting given that most of these aircraft will be looking for gainful employment at a time when many outside forecasters are predicting excess deliveries in relation to the underlying demand (see chart). A still more extraordinary feature of GPA's finances is that it has openly acknowledged that these capital commitments could not conceivably be supported by its own balance sheet even on optimistic assumptions about retained profits and the availability of new equity and debt. It is relying crucially on the growth of *investor demand for aircraft as a* financial asset. Will such demand materialise, especially if airline prospects deteriorate further and the doomsters prove right about a glut of aircraft?

GPA president Mr Maurice Foley is far from pessimistic. He *accepts* that GPA's earlier forecasts for world passenger traffic growth to 2,000 may require some modest downgrading. But he also believes that the high cost of bringing the fuel-inefficient older generation of aircraft up to structural scratch and required *standards* of noise compliance will be prohibitive, leading to mass retirements. As for the risk of 'whitetails' – aircraft with no airline emblem on the tail because they are surplus to requirements – Mr Foley says that the length of the order cycle and the lead time on *options allows for* slippage in deliveries by the manufacturers.

GPA claims not unreasonably that the global nature of its business is a strong defensive merit, as is its lack of exposure to the weak US market, which last year accounted for little more than 10 per cent of profits after interest but before overheads. The termination dates of the leases in its portfolio are not heavily concentrated in the short and medium term (see table); and in the rare cases where it *has confronted* airline defaults GPA has shown a remarkable ability to remarket its aircraft and minimise loss. Above all the company's portfolio consists largely of modern, fuel-efficient aircraft whose average age is less than five years. Price falls have *so far had their main impact on the* residual values of older aircraft.

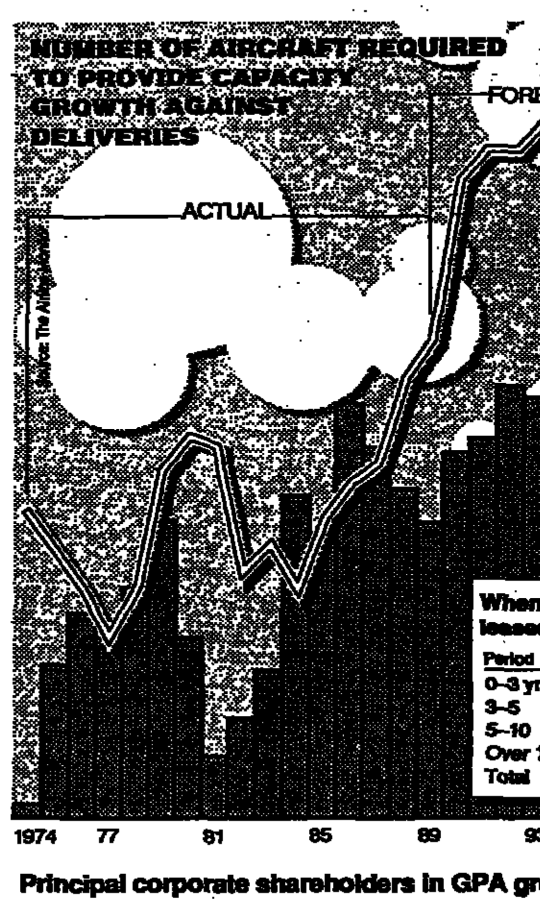
What does worry Mr Foley is the more immediate problem of a squeeze in the banking system, which he rates a more serious threat than increasing fuel prices or recession. GPA, he says, *is writing the same number of deals* as six to nine months ago, with no material change in prices. "But in recent weeks," he adds, "the credit crunch is having some effect on people's ability to close transactions."

The US banks are scarcely lending. And there are particular problems in Japan. S G Warburg estimates that about half of all aircraft deliveries last year were conducted by means of so-called Japanese leveraged leases, through which Japanese tax reliefs could, in effect, be exported. Even if the estimate is on the high side the fact that a change in the tax rules has killed this market can only have a powerful negative impact. So, too, with the tightening of monetary conditions. The process whereby the Japanese credit boom spilled over into the international aircraft financing market in the late 1980s has now gone into reverse. Since 38 per cent of GPA's existing credit facilities comes from Japanese banks, this is clearly important.

The greater part of the solvency risk in the leasing industry is probably not being carried by GPA, ILFC and Ansett, which together account for about three-quarters of the business and whose portfolios consist predominantly of newer aircraft. It lies with the smaller lessors that bought older aircraft on over-optimistic *assumptions about residual values*. Also with the investors, including US money funds and large Japanese companies looking to shelter profits from tax, who participated in leasebacks.

But that is not to say that the giants of this industry, which has *never before faced recession, are not* vulnerable, especially to a profits shock. GPA's growth has been predicated on on the continuing availability of credit and the ability to sell large numbers of aircraft in a secondary market. On outside brokers' estimates it *probably derives more than* half its profits from aircraft sales. Much hinges, then, on aircraft values. According to Salomon's Mr Maldutis there has been some softness in the secondary market for newer aircraft. And the confidence of investors whose support GPA badly needs for future sale and leaseback transactions may not be helped by worries about the impact of a credit crunch on the aircraft supply-demand equation, or by further dismal airline results in the pipeline. Nor again by the fact that so many have misjudged the residual values of older aircraft and that leasing in general has acquired a bad name with investors.

Mr Foley is not prepared to forecast a decline in profits or the deferral of a flotation planned to take place by the end of 1991. Yet it is hard for the outsider to believe that a company the size of GPA, however quick on its feet, can buck the vicious industry cycle this time round. The glory days are surely over for the moment.



When GPA's operating leases end

Period	No. of leases
0–3 yrs	32
3–5	36
5–10	133
Over 10	63
Total	264

Source: GPA

Principal corporate shareholders in GPA group & joint ventures

EUROPE	JAPAN	NORTH AMERICA
Aer Lingus	Chiyoda Finance	Air Canada
Airbus Industrie*	Japan Leasing	Bank of Nova Scotia
Allied Irish Banks	Kawasaki Enterprises	CFM International*
ATR*	The Long-Term Credit Bank of Japan	Citicorp
Bank of Ireland	Mitsubishi Corporation	General Electric Capital
Banque Indosuez*	The Mitsubishi Trust & Banking Corp.	McDonnell Douglas*
Banque Paribas*	Mitsui & Co*	Northwestern Mutual Life
Fokker*	Nippon Life Insurance	PacifiCorp Credit
Foreign & Colonial	Tokio Marine & Fire Insurance	Prudential Insurance
Gamlestaden	Yamaichi Securities	PWA Corporation*
Hanson		Salomon Brothers
Irish Life Assurance	**INDONESIA**	Toronto Dominion
Lufthansa*	Garuda	
Nycklen		
Rolls-Royce*		
J Rothschild Holdings		
San Paolo di Torino*		
Swissair*		

* Investors in joint ventures
Source: County NatWest

Trouble in Bergerland

■ Will the Berger family, one of Britain's most secretive and wealthiest property landlords, come to the aid of young Berish Berger, whose plans to turn the old West London air terminal into a luxury apartment block have run into financial difficulties?

American educated Berish is not another Donald Trump. But, coming from a strict orthodox Jewish family which shuns publicity, he has been surprisingly visible.

His Land & Property Trust has an office in the West End, and he is often seen driving a car, unlike most of his relations who are rarely spotted.

His dash for growth over the last few years, culminating in the risky £140m purchase of 17 superstores from Tesco little more than a year ago, is in stark contrast to the rest of the family's low profile, conservative approach.

Gerson Berger, the founder *of the North London residen*tial property empire, came to England as a penniless Rumanian refugee in the 1920s. He started life selling beans door to door and by World War 11 he was making torch batteries. He then went into property, starting with the purchase of 16 flats in Merton in 1944.

The true extent of Bergerland is unknown. Although there is a publicly quoted arm, Palmerston Holdings, the real wealth is hidden away in a web of private companies whose profits help finance various religious charities. When Gerson died in 1978, without leaving a will, one report estimated that he controlled a property empire of close to half a million houses and flats. The core of the family business centres on London's Stamford Hill and Stoke Newington.

Last year the Sunday Times estimated that Sighismund, Gerson's son, was worth £330m. If anywhere near correct, this would put him on a par with old money such as the Cayzers and make him richer than traditional landlords such as Lord Howard de Walden.

However family fortunes do not stay in tact for long if they have to be tapped as lenders of last resort for errant offspring. Hence the nervousness of Berish's bankers.

OBSERVER

Not so tip top

■ Tipping shares is a dangerous practice, as Trevor Pullen of the mighty Prudential ought to know. His none-too-prudent tip for 1990, revealed in Money Observer's January edition, was Polly Peck.

Not that the performance *of the other fund managers* was that great. Even excluding Mr Pullen's choice, the average tip from the 25 so-called experts fell by 22 per cent between January 1 and December 7, the period measured by *the magazine. That compares* with a 12.8 per cent decline in the FT-A All-Share over the same period.

Money Observer charitably covered its experts' blushes by reminding readers that the share tips should not have been regarded as a recommendation for the entire year. At some point during the year, the magazine points out, every one of the experts' 25 selections showed gains.

SDR inventor

■ Central banks tend to be more important than individual central bankers, these days. But the death of Italy's Rinaldo Ossola, who passed away virtually unnoticed last month, is a reminder that this has not always been the case.

The 77-year old Ossola, who studied at the London School of Economics, is best known for the authorship of the eponymous report of 1964 which led to the creation of a genuine

"Norman's ceased caring who knows he's wearing a toupée."

innovation in the post-war international financial system – the special drawing right.

He later went on to become director general of the Bank of Italy from whence he continued to maintain a formidable reputation for his contributions to the debate on reform of the international monetary system. Among his many publications there was even one brave title – The Future of Sterling: A Logical Approach.

He is remembered with tremendous affection among that generation of 40-year olds now occupying senior positions in the central bank. Quite apart from a mind which could scythe to the heart of any problem, his self-mocking sense of humour made him a rarity among a class of Italian technicians which is always disposed to take itself too seriously.

Bermuda-bound

■ One person who will be losing less sleep than some over the ups and downs of ADT, the mercurial Michael Ashcroft's security and cleaning services multinational, is Michael DeGroote.

The Belgian-born Canadian has severed his remaining links with Laidlaw, the Ontario-based company which owns 28 per cent of ADT, and is retiring to Bermuda. The 57-year old entrepreneur plans to enjoy the the fruits of the fortune he has made over the past three decades. He transformed Laidlaw from a small Canadian truck operator to one of North America's biggest school bus and garbage removal companies.

He pocketed close to C$500m in cash and shares in 1988 by selling his controlling stake in Laidlaw to Canadian Pacific. He stayed on as chief executive until last August, spearheading what many believe was one of the few mistakes Laidlaw has made – its investment in ADT.

DeGroote is said to have paid $7.2m for his 15-room retirement home, which also includes a skeet shooting range and a half-mile jogging track. Known as Perot's Island, it *is a seven-acre hideaway on* the western tip of Bermuda. The property was at one time owned by the families of Barney Barnato and Solly Joel, the South African gold and diamond magnates.

Until he quit as a Laidlaw director just before Christmas, DeGroote was the Canadian company's sole nominee on the ADT board. He is staying on, but presumably Laidlaw will now be wanting to increase its representation on the board of its controversial investment.

Some advert

■ Last month's issue of Euromoney, the financial monthly, was unusually thin.

This may reflect seasonal advertising pressures, but it may also reflect the issue's theme: "The world's best banks". Somehow, the list just doesn't seem to take up as much space as it used to . . .

Japan's robot industry may be stealing a march on western rivals like its machine tool makers did in the 1970s, writes **Ian Rodger**

Factories where the future works

In the mid-1970s, Japan's machine tool makers stole a march on western competitors, achieving big improvements in the cost effectiveness of their products by putting computer controls on them.

Within a few years, they had won huge shares of US and European markets and, with the benefits of economies of scale in production, were able to overwhelm most western competitors.

It is beginning to look as if Japanese robot makers are pulling off a similar feat.

For the past 20 years, robot making has been one of those businesses that attracted all kinds of manufacturers (including very big ones like Westinghouse Electric, General Electric and IBM) because of its seemingly high growth potential.

But, except in Japan, it has yet to deliver on its promise. As recently as 1983, a prominent US analyst of the factory automation industry predicted that US robot sales would rise to $2bn by 1990, as more and more applications in welding, materials handling and assembly processes became perfected. In fact, last year they were less than $500m.

The relatively slow acceptance of robots by western manufacturing companies is mainly due to resistance from trade unions, flaws in the machines and the programming that goes with them and the general conservatism of production managers. That has been enough to induce most of the big US suppliers, including Westinghouse and, most recently, Cincinnati Milacron, to lose patience and withdraw, leaving the field to a few Japanese and European makers.

Robots are attractive to Japanese industry because they enable it to cut costs and to combat the labour shortage

Among the survivors, a few Japanese companies are looking more and more formidable, and for much the same reasons that enabled Japanese companies to succeed in machine tools.

● Like the Japanese machine tool makers, the country's robot makers persisted in trying to develop more reliable, cost effective products, regardless of poor or non-existent profits on them.

In part, this reflected the typically Japanese tendency to take a long term view, but there were special reasons for confidence that the robot market, like that for machine tools, would eventually come right.

Japanese manufacturers lack natural competitive advantages, and so are always more eager to embrace innovations in production technology than their western competitors. The concept of the robot is particularly attractive to them because it offers the potential not only to reduce costs of production processes, but also to ease the chronic labour shortages they face.

Robot sales have always been much higher in Japan than in the West. At the end of 1988, two thirds of the 256,000 industrial robots in operation in 16 leading industrialised countries were in Japan. Also, the business has turned out to be fairly reliable. As Mr Seiuemon Inaba, president of Fanuc, a leading Japanese supplier, puts it, "There is no cycle in robot demand – it just continues to grow."

● As in the case of machine tools, Japanese robot makers were the first to see the strategic potential of a technological development. This was the emergence in the late 1970s of precision servo-electric motors powerful enough to manipulate the arm of a robot while it was spot welding a car body or carrying a big load. Until then, industrial robots used hydraulic systems, which were subject to frequent breakdowns and were dirty and expensive to service.

It is not clear why the top US makers were so slow to introduce such electrically powered robots – Cincinnati Milacron, for example, introduced its first one in 1987 – but by the time they did, it was too late.

● Just as the Japanese machine tool industry got a big boost in the mid-1970s because of its customers' anxiety over how to overcome the cost of the oil shock, robot makers too have benefitted enormously in the past four years from another crisis in Japanese industry.

Testing industrial robots at Kobe Steel machinery plant

The crisis had two aspects, both of which contributed to demand for robots. On the one hand, the revaluation of the yen in 1986 put great pressure on manufacturers to cut production costs. At the same time, the stimulation of domestic demand from 1987 aggravated labour shortages to an extent not seen since the early 1970s.

The number of robots installed in Japan has more than doubled since 1986, and the Japan Industrial Robot Association is forecasting that it will nearly double again by 1995.

The labour shortage has even stimulated the introduction of robots in non-manufacturing areas in Japan. For example, construction companies now use them to assemble steel girders, smooth concrete slabs and drill tunnels.

Still, until recently, the Japanese robot industry, like that in other countries, was not particularly prosperous. Robots are not difficult to make and they are not subject to the kind of rapid innovation cycles found in some electronic goods sectors. As a result, the sector has long been overcrowded. According to the Japan Industrial Robot Association, more than 230 companies still make and sell robots in Japan alone.

As elsewhere in the world, price competition has been severe, but the industry seems to be maturing. "Everyone has been having a very difficult time, but a shakeout has already started," says Mr Hiroyuki Nonaka, deputy general manager of Yaskawa Electric's robotics business. "In Japan now, there are only a few companies we can really consider our competitors."

Industry officials agree that Fanuc, Yaskawa and Kawasaki Heavy Industries (KHI) now dominate the heavy duty robot industry, and each has been investing heavily to consolidate its strength. Fanuc has just begun construction of a Y10bn factory, intending to treble its current robot output of 3,000 units a year. Yaskawa recently opened a totally automated factory (using robots to assemble robots) that will enable it to double output to 9,000 units a year. KHI says it too plans to expand production from the current 2,100 units a year.

Up to now, Japanese robot makers' exports have been a relatively modest 20 per cent of sales, and most overseas sales have gone to the US. For example, KHI has installed more than 1,500 robots in the US to date, but only 200 in Europe. Fanuc too has had its main overseas success in the US through its joint venture with General Motors, GMF Robotics.

Now, however, there is reason to expect that they will focus their attention more on the European market.

"We are expecting an increase in sales in Europe, partly because of the construction of Japanese car factories there," Mr Naohide Kumagai, assistant general manager of the robot division of KHI, says.

Yaskawa likewise is stepping up its efforts in Europe, having established partnership arrangements with companies in Sweden, Germany and Spain.

Still, it is by no means inevitable that the Japanese will sweep the field in Europe as they have in the US.

Japanese industry officials point out that the marketing of robots is much more demanding than that of machine tools and other industrial machinery. Each robot application tends to be unique, meaning that bespoke programming has to be developed for it, and a lot of service provided after installation. That makes selling from a long distance away rather difficult.

GMF and KHI are trying to go it alone in Europe, but Yaskawa and many others have taken a different approach. "In most countries, we have business partners, and they use our robots in systems that they design and service," Mr Nonaka of Yaskawa says.

The Japanese companies also recognise that the leading European robot makers, especially companies like Kuka of West Germany, Comau of Italy and Asea Brown Boveri, the Swedish-Swiss group that bought Cincinnati Milacron's robot business in September, are unlikely to give up easily.

"I think Kuka and Asea will remain strong. They are trying very hard to improve their products, and the European car industry rates them highly," Mr Kumagai says.

LOMBARD

How lower inflation will bring recovery

By Samuel Brittan

If the whole of the British economy responded to recession with the same alacrity as the high street stores, the downturn would soon be over. I refer of course to the slashing of prices in the new year sales which this time seems genuine.

Unfortunately these stores represent only a fraction of the economy and cannot bring about recovery unaided. In other sectors the same responses will follow, but much more slowly after output has already suffered.

Thus, if the British stagflationary disease were to be summarised in one sentence, it is that adjustments to a changing environment are too much in the form of quantity and not enough in the form of price.

The most important prices are of course wages and salaries which account for some 70 per cent of value added. The instinctive response to recession is to cut outlays and to trim staff. Lower prices are almost the last resort and lower wages – or more accurately reductions in the rate at which they are increased – come bottom of the list. But until that has happened no durable recovery can occur.

The assumption behind all I have so far said is that total spending in cash terms is maintained, either through natural forces or through the actions of governments and central banks. The response of business, unions and other economic agents then determines the extent to which a gradually growing total of cash spending is reflected in higher output and employment and the extent to which it is wasted in inflation.

The rest of this article puts these simple ideas into a more abstract economic framework. The growth of total national spending is best measured by Nominal gross domestic product, which is ordinary GDP, but expressed in actual money and not converted into constant prices. Nominal GDP, because it expresses actual cash flows, is the magnitude which governments and central banks can influence – although not precisely or in the short term.

UK national income projections
% change at annual rate

	1988	1989	1990*	1991	1992
Nominal GDP	11½	9	8½	7½	7½
GDP deflator	8½	7	8	8½	5½
Real GDP	4½	2	1	-1	2

*Corrected for poll tax distortions
Sources: CSO and Treasury up to 1990 and Goldman Sachs for 1991 and 1992

Whether a given increase in Nominal GDP goes into higher output or is dissipated in rising wages and prices depends on the response of business, unions and other economic agents. Attempts by government to inject spending power irrespective of what is happening to inflation – whether they do so by lower interest rates, budget deficits or any other method – blow up in their faces, as has been shown on countless occasions.

The table shows that Nominal GDP has been growing at just over 8 per cent per annum. A very slight downwards tilt is in prospect, in line with the government's counter-inflationary objectives. So long as this path is observed, a fall in the inflation rate will automatically lead to an output recovery. On the other hand, so long as pay and price increases continue on their recent scale, recession will deepen.

The link to the D-Mark, far from being deflationary, supports demand

I have used Goldman Sachs' projections for the UK because they are more realistic and up-to-date than many others. They show Nominal GDP growth being maintained at about 7½ per cent, made up of an output change of *minus* 1 per cent and a continued rise in the GDP deflator of 8¼ per cent. Goldman Sachs expects both output and underlying inflation to be much worse in the first half of the year than the table suggests, with some recovery in the second half. Looking ahead to 1992, Nominal GDP is not expected to rise any faster. In other words there will be no boost to demand in money terms. But because inflation will have fallen steeply there will be room for a recovery in output.

Most serious forecasters have pointed out the risk from factors such as the Gulf crisis, the severe corporate financial deficit, the possibility of a bank credit crunch, and so on. Governments and central banks have a responsibility to prevent a spiralling downward plunge. This is best seen as an endeavour to maintain the growth of Nominal GDP at a moderate non-inflationary rate.

But does not the commitment to the ERM and the link to the D-Mark make it difficult to keep even nominal demand on a reasonable path? For the answer look at what is actually happening in Germany. A public sector deficit of at least 5 per cent of GDP is expected in 1991 as a result of unification. Any increase in interest rates will be but a partial offset.

Germany's partners might like to see a different policy mix, with more tax increases and lower interest rates. But there is no doubt that the total impact is expansionary, both in nominal and real terms. Thus the link to the D-Mark, so far from being deflationary, is a more than adequate support for demand growth. The blame for prolonged recession lies neither in German policy nor in British interest or exchange rate policy, but in the rigidities of the domestic labour market: in the vernacular, plain British bloody-mindedness. If this turns out less than it used to be, and less than the doomsters expect, it will be the first sure sign of success for the Thatcher supply-side policies.

LETTERS

All is not gloom in US education

From Mr George Kessler.

Sir, Your leader ("Challenge for US educators", December 27) paints a gloomy and generally accurate picture. However, there are positive points emerging within the US system which we ignore at our peril.

While federal control of education is ruled out by the constitution, a combination of business and presidential power and influence has forced through a national consensus on six easily understood national education goals (expressed in less than 150 words as against more than 300,000 for our national curriculum). That these are an effective tool is shown in the increase of federal expenditure on education for under-5s in a time of budget cuts.

In addition, US business has always had a good relationship with the local community. This could well mean that US vocational training may catch up and overtake the UK in a very short time.

Finally we should remember that some of our more publicised educational and training initiatives (such as Tecs and Compacts) are copies of US models.

George Kessler,
MD, Kesslers Manufacturing,
1 Warton Road, E15

Mixed credits

From Mr Albert H Hamilton.

Sir, Eximbank's Chairman Macomber makes an articulate and telling argument as to why the practice of extending mixed credits should be stopped ("Time to discipline a costly trade practice", Dec 5).

It is often difficult to determine whether a transaction is commercial or developmental. The OECD should consider an agreement under which members would finance sales to less developed countries through development assistance programs only, leaving official export credit agencies the task of supporting sales to the more creditworthy markets. This could strengthen the agencies' financial positions, while eliminating a source of dispute among OECD members. It would also provide debt relief to the poorer countries.

Albert H Hamilton,
First Washington Associates,
1501 Lee Highway, Suite 302,
Arlington, Virginia

There is a vast gap between economic reality and the computer model

From Professor Wynne Godley.

Sir, Just more than a year ago, David Currie co-authored a prediction that there would be a 2 per cent growth of output up to 1992 with an improvement in the current account deficit, to about £13.5bn. I wrote to the Financial Times at the time ("'Not miserable enough'", November 9, 1989) questioning whether this could be correct, even as a conditional prediction, because I did not believe that with 2 per cent growth the balance of payments would improve at all. My point seems to have been conceded in Mr Currie's latest forecast ("A year of retrenchment ahead", January 2), because he now puts the growth rate at less than 1 per cent per annum between 1989 and 1991 without much change in his forecast for the balance of payments.

I would not have brought the matter up except that now I feel impelled to disagree strongly with his new conclusions – that with no change in policy, output will rise a little between 1990 and 1991 and, if I have understood him correctly, that a more substantial and sustained recovery will spontaneously occur at some stage.

I think Mr Currie should look up from his computer model and out of the window. If, as he assumes and recommends, there is no relaxation either of fiscal or monetary policy and the present rate of exchange is maintained, we are set for a first class slump which will drive unemployment up dramatically with no prospect that it will ever come down again short of some unforseeable accident. Please will he tell us where he thinks the motor for adequate and sustainable expansion, either in the short or the long term, can possibly be? I would also like him to explain why in a long article about the economic outlook he makes no reference at all to unemployment.

Wynne Godley,
Dept of Applied Economics,
University of Cambridge

Wages and ERM: why is the state struck dumb?

From Mr Robert Tyrrell.

Sir, Professor Currie's article makes the correct point that our medium-term economic future hinges crucially on the speed with which pay settlements adjust to the *de facto* reality of a fixed exchange rate. If pay settlements moderate swiftly (and if productivity growth simultaneously accelerates), the benefit to the economy could be measured in billions of pounds.

In many other areas of social and economic life, the government has shown itself willing to become more preceptorial and to use mass communications towards its policy ends – to accelerate our rate of progress along the experience curve. This has been the case with Aids, training and privatisation. Why not with wages and ERM membership? There are a series of possible reasons for this, but none which really stands upon examination.

First, it may be said that the exposure the issue is getting through ministerial statements is doing enough. While it may be that the Financial Times gives the debate wide coverage, this is true neither of the subject *per se* nor of the rationale for moderate wage behaviour in the tabloids and other more popular media.

Second, the subject may be deemed too complex to be amenable to Aids/training/privatisation treatment. However, these seem pretty complex issues themselves and I doubt the matter has been considered and rejected on these grounds.

Third, the subject may be deemed too political. But since Labour policy and rhetoric now endorses ERM membership and "wage discipline", this objection cannot stand.

Fourth, no one in the Treasury might have thought of it.

Finally, the government may be prepared to devalue sterling to "bail us out" and therefore cannot launch a high-profile advertising campaign saying the contrary. There is no answer to that one, whichever way you look at it.

R. Tyrrell,
MD, The Henley Centre,
2 Tudor Street, EC4

Shareholders should be encouraged to consolidate

From R.A. Overin.

Sir, The privatisation of the electricity distribution industry has highlighted a problem which is placing a considerable burden on the companies and their registrars.

The method of allocation has almost certainly resulted in a large number of shareholders with the minimum number of shares, including members of a single household. Each shareholder will receive a copy of the annual accounts, probably an interim statement, dividend cheques and vouchers plus additional documents which may result from takeover bids or other activities. This is not to mention the strain of dealing with many small income tax repayment claims.

I notice that Barclays Registrars has grasped this in connection with BAA plc now that the loyalty incentive shares have been issued. Shareholders in the same family are specifically invited to consolidate their shareholdings to the likely benefit of all, not least the postman.

A great deal is said and written in praise of productivity and this appears to be an area in which significant gains may be possible with the exercise of a little initiative.

Another area in which improvements can be made is in the elimination of holdings of small value left over from takeover battles of the distant past. I hold £160 of Ranks Hovis McDougall 8¼ per cent unsecured loan stock 1991/95, while may son holds £18. Are such small stockholdings an economic proposition to service?

The Americans seem much more forthright about such things. Marsh and MacLennan took early steps to facilitate consolidation when they took over CT Bowring in 1980. Individual shareholders are unlikely to take action unless given positive encouragement.

R.A. Overin,
4 Roberts Close,
Stratton, Cirencester, Glos.

FINANCIAL TIMES
Monday January 7 1991

Bonn urged to raise public sector borrowing

By **David Marsh** in Bonn and **Leslie Colitt** in Berlin

THE BONN government is coming under increasing political pressure to raise overall public sector borrowing still further this year to finance yawning budgetary gaps in the east German federal states.

Higher borrowing by the German Unity Fund (GUF), the off-budget financing vehicle set up last summer to raise money for unification, will be one of the options discussed this week in a series of economic policy talks in Bonn.

In a prelude to what will be a gruelling battle for improved access to government largesse, ministers from the five east German states (Länder) will make a plea for more funds from Bonn in talks on Tuesday and Wednesday. Officials from the five Länder have suggested doubling the GUF – which issues D-Mark bonds on domestic and foreign markets – through increasing its volume by a further DM100bn over four years.

This would keep down direct central and regional government borrowing but inflate further overall German calls on the capital market – to the dismay of the Bundesbank, which has been urging much tighter financial restraint.

The eastern states are facing a severe financial squeeze, exacerbated by Bonn's plans to phase out subsidies east of the Elbe for public services, energy and rents. Price increases for these services will lead to inflation in east Germany this year being appreciably higher than the roughly 3.5 per cent expected for west Germany in 1991.

Most east Germans are only now beginning to notice the effects of the shift from highly-subsidised prices for basic needs – food, rent, utilities and transport – to prices based on costs.

High non-food subsidies inherited from the Communist planned economy were retained last year although incomes of all east German households rose. While prices of basic foods and commodities rose, prices for higher-quality food, clothing, furnishings and household appliances and cars fell.

The new year began with a doubling of train fares by the east German Reichsbahn on January 1 while insurance rates were almost quadrupled. Public transport fares rose in some cities. Rents are also due to rise this year.

The Institute of Applied Economic Research in east Berlin estimates that wages this year in the five east German Länder will rise nearly six per cent while the cost of living will go up by at least 18 per cent.

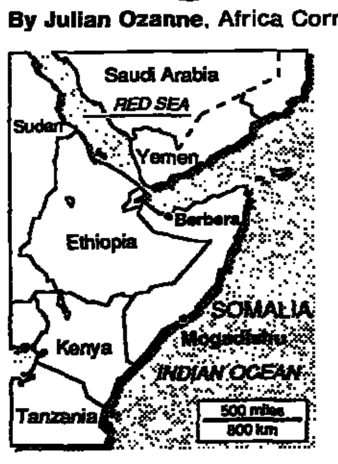
Fifteen per cent of the increase is expected to come from reductions in consumer subsidies. An increase in the already debilitating level of migration to west Germany is likely to be the main result, especially among younger, skilled workers.

Mr Theo Waigel, the Finance Minister, seems likely to decide on high increases in telephone charges and contributions to unemployment insurance. Big cuts in defence spending will also be part of Mr Waigel's plan to keep the overall 1991 budget deficit down to DM140bn. Bonn budgetary planners talk of lopping DM8bn from defence spending next year, by granting the Defence Ministry no additional funds for integrating the former East German National People's Army, which would normally cost about DM8bn annually.

Freedom flight: some of the foreigners who were ailifted from Somalia to Mombassa airport in Kenya yesterday

Foreigners evacuated from Somali capital

By **Julian Ozanne**, Africa Correspondent



MORE than 400 foreigners trapped in the Somali capital of Mogadishu were evacuated over the weekend by an Italian and US rescue operation. The foreigners had been stranded since fighting began a week ago between government troops and rebels.

Efforts to save more foreigners, including 50 Italians caught up in the outbreak of clan warfare, failed yesterday when two Italian C-130 military aircraft, carrying medical supplies and a team of 12 doctors and nurses, turned back because of continued fighting in the city.

Meanwhile, Kenyan soldiers maintained a heavy presence at Nairobi's international airport after a group of Somali military officers and their families, seeking political asylum, landed there.

Somali rebel claims that embattled President Mohamed Siad Barre had fled the country for Kenya were denied by Mr Wilson Ndolo Ayah, Kenyan foreign minister.

The US confirmed yesterday that it had ferried more than 250 people from the Mogadishu embassy compound by marine helicopter to the aircraft carrier Guam and the amphibious transport ship Trenton anchored off the Somali coast.

The Soviet ambassador and the British ambassador, Mr Ian McCluney, were believed to be among the evacuees. Both ships, which had been diverted from duty in the Gulf, were believed to be headed for the Omani capital, Muscat.

A further 189 people were evacuated by Italian aircraft on Saturday to the Kenyan coastal city of Mombasa.

Fleeing foreigners confirmed reports of gun battles and heavy artillery shelling in Mogadishu after a hair-raising truck journey to the airport. Heavy casualties have been reported from the city which is desperately short of supplies.

Major says inflation in Britain is now falling

By **Ralph Atkins** in London

MR JOHN MAJOR, the British prime minister, yesterday said the government was "coming to grips" with economic difficulties and there were "unmistakable" signs that inflation was falling.

He confidently dismissed any suggestions that the recession would be as bad as in the early 1980s or the 1930s andhoped interest rates would fall as inflation subsided.

Mr Major's comments appeared aimed deliberately at countering the growing gloom surrounding the UK economy amid rising company failures and declining output. But he warned that unemployment would continue to rise "for a few months yet".

In a television interview, Mr Major said 1991 "will lay the foundation in the 1990s for the sort of growth and prosperity that people dreamed of some years ago but didn't believe we could achieve".

He is likely to take some comfort from a survey carried out for the Institute of Directors showing British company directors have become marginally more confident about prospects for 1991.

Further ammunition for the Treasury comes in a survey by 3i, the venture capital provider, suggesting corporate restructuring in the 1980s has significantly strengthened British industry's ability to withstand recession.

But figures today by KPMG Peat Marwick McLintock, the accountancy firm, show the number of companies going into receivership last year was double the level in 1989.

Mr Gordon Brown, opposition Labour party spokesman on trade, insisted the government had to "wake-up" to the damage being caused to manufacturers by high interest rates. He said most UK regions had already lost more than 30 per cent of their manufacturing jobs since 1979.

"I now fear for a permanent loss of manufacturing capacity Britain can ill-afford to lose as many manufacturers are being pushed by high interest rates to the point of no return," he said.

In his television interview, Mr Major said that as Britain's inflation differential with European partners narrowed, "it is overwhelmingly likely that natural consequential events in the markets will enable us to reduce interest rates."

He added: "We are confident that inflation now is going to come down. The signs I think are unmistakable."

Directors signal rise in optimism, Page 4; Receiverships double, Page 4

Returning native lands with a jolt

By Anthony Harris

After three years in Washington, London seems the oddest place. A new prime minister, who was known only as a promising junior when I left, is a jolt; the fact that he doesn't say much, and sounds like a speak-your-weight machine when he does, makes it sharper. In Washington there is endless argument, but little effective policy-making; here there seems to be a surfeit of policies, but hardly any opposition.

Odd; but even odder is what looks like collective amnesia. Is it, as my notes tell me, really less than 10 years since Sir Alan Walters last warned us of the dangers of an over-valued pound? Can it be only 17 since the banks last came unstuck in the property market? These are no doubt distorted perceptions, reinforced by the fact that I have not yet been able to get about and meet people.

There may be some value, however, to crude impressions, simply because they oversimplify. The basic issues are easy to forget when you are immersed in the day-to-day, but they are much the same as they were 10 or even 20 years ago – inflation, credit and the exchange rate. The received wisdom in all three is at least worth questioning.

INFLATION: Everyone knows the slogan: we cannot enjoy growth until we have conquered inflation. It goes down well in Washington too, and is probably engraved somewhere in the offices of that flagellant order, the IMF. It has a puzzling sub-clause: we cannot stop inflation without stopping growth.

But no-one seems aware of this inconsistency – nor the fact that the whole doctrine is demonstrable nonsense. Three historic examples make the point: Japan, in its most dynamic decade, had an annual inflation rate of 7¼ per cent, while Switzerland, with very little inflation, had very little growth either. And one is very recent: Mrs Thatcher managed her "miracle" in spite of above-average inflation and far above average wage increases.

This apparent defiance of natural law explains itself if you look for the cause rather than the effect of inflation, for one kind of inflation is the result of growth. This was understood years ago (memory again) as "dynamic" or "adjustment" inflation. In Japan in the 1960s growth was led by a productivity explosion. Manufacturers were able to raise wages by 15 per cent a year without putting up their prices at all; but when the same increases were conceded elsewhere in the economy, they caused inflation.

This was a healthy process: it spread the benefits earned in the factories to barbers, doctors and civil servants.

Mrs Thatcher achieved a flawed replay of the same script. This does not mean that there is no inflation problem; only that ministers and markets should look a little deeper than their present effort to discount the "inflation" which reflects efforts to stop it through higher interest rates. Cost inflation is not a problem if the prices of traded goods are stable; although in an ideal world productivity growth would be spread through price

'The ... disciples of Adam Smith do not seem to have read the book'

cuts rather than going-rate wages, not even the Japanese have achieved this. If ministers and markets cannot grasp this point, they will condemn us to stagnation.

Two other kinds of inflation must be fought, however: what might be termed "anti-adjustment", when people try to protect their real incomes against falls imposed from outside – rising commodity prices in importing countries such as the UK, falling exchange rates for commodity exporters such as Australia. (Here it is true that the harder the resistance efforts, the harsher the punishment has to be.) But the central British problem is much more a matter of demand inflation; which brings us in turn to...

CREDIT CONTROL: Credit explosions and deflations have been a recurrent plague in the English-speaking world; but usually they confer immunity for the working lifetime of a banker: "Never again in my lifetime..."

So why did English bankers – and the Bank of England – allow a replay of the early 1970s? Why did the bankers of New England learn nothing from the disaster in Texas? Why did a Labour government in Australia go bald-headed for "financial freedom"? Partly it is a matter of fashion. The professed disciples of Adam Smith do not seem to have read the book: Smith is quite explicit on the need for prudential regulation.

But it also reflects the structure of financial markets, as John Plender has argued recently in these pages. In the English-speaking world bankers rely on collateral as a substitute for analysis; in Japan they are speculators on their own account. This is where speculation ran out of control. In Europe, where banks are essentially the providers of equity, they have to look deeper and take a longer view.

Japan chose to ignore the problem for years, and has suffered the most painful correction. American banking control was divided and undermanned, and the Australians had little experience to learn from. The British banks did learn some caution, but the authorities seem to have relaxed on this account, reasoning that if foreigners were carrying the biggest risks, the system was safe. Not the economy, though.

These follies explain why interest rates are so volatile in the English-speaking countries: a rate which can cramp industrial investment is readily shrugged aside in a financial bull market; but that is why this could be the last British credit cycle. We will probably have a much more European system before the market has digested the excess property built this time round; but even if we don't, volatile rates will pose impossible problems for...

EXCHANGE RATE POLICY: Only two footnotes here. First (see above), membership of the ERM will mean tighter lending controls to take the strain off interest rates, at least when we move to tighter bands – not a point ministers have made yet. Second, the official hope that sterling will rise as inflation falls looks a delusion as long as we are floating in a wide band. Free capital movements push the other way, out of weak economies into strong ones. Our real dilemma will set in not now but when inflation is down in a flat economy. If you don't believe it, just look at the dollar.

Thatcher to head Bruges Group

By **Ralph Atkins** in London

MRS Margaret Thatcher, Britain's former prime minister, has accepted the presidency of the Conservative-dominated Bruges Group of like-minded anti-federalist Europeans.

Her decision, which emerged at the weekend, to head the group pledged to defending British sovereignty against creeping European "socialism", underlined Mrs Thatcher's promise that her voice will continue to be heard.

Mrs Thatcher's choice of this political vehicle could threaten the reformed face put on Britain's European policy by Mr John Major, her successor. "She will remain to haunt Mr Major," said Mr George Robertson, the opposition Labour Party's foreign affairs spokesman.

Mr Major, however, suggested the differences with his predecessor were not as huge when he described himself as an "agnostic" on the European single currency.

Speaking on television, the prime minister said it was up to the market to decide whether there was demand for a single currency. He was not convinced it would be introduced before the end of the century.

"At the moment I certainly don't advocate a single currency to my party because I think it would be economically immensely damaging in Europe," he said.

The Bruges group, which included academics as well as politicians, was set up after Mrs Thatcher's speech in Bruges in September 1988. Members describe themselves as "pro-Europe, anti-Federalist".

Coining a name for a hard Ecu

By **Peter Marsh** in London

HISTORIANS, numismatists and followers of popular culture may soon be asked to rename the common currency which Britain wants Europe to adopt, but which by common consent has a dreadful name.

The British Treasury is due tomorrow to present proposals to establish a legal framework for the hard Ecu, a financial unit which the UK believes could cut transaction costs for European industry and reduce inflation.

However, officials at the Treasury and the Bank of England admit that the hard Ecu is a far from perfect name for a currency which is intended to catch the imagination and take Europe into a new era.

Moreover, the hard Ecu, which would be introduced after 1994 and be backed by a government guarantee that it could never be devalued, would be easily confused with the existing basket Ecu, a notional financial unit based on the average weightings of the main European currencies.

A Treasury official said the government was "not fussed" about keeping the hard Ecu name. An official at the Bank said he would welcome efforts to come up with a snappier title.

Near the top of any short-list would be the Beethoven. This would curry favour with Germany, which has Europe's strongest economy but which so far has been dismissive of the hard Ecu plan. The name would also carry weight with Chancellor Helmut Kohl, who is a Beethoven fan.

The French could be accommodated by calling the currency the Eiffel. That would also emphasise the long-term nature of the British plan, when the Effel Tower was put up it was supposed to be temporary but it is still standing after 102 years.

The Europa is a hot favourite among some Euro watchers. However, it is also the name of a paneuropean space rocket built in the early 1970s but whose development was abandoned after it kept exploding on the launch pad.

Another idea would be to call the hard Ecu the Croesus, the legendary Egyptian king who introduced the first government coinage around 600 BC.

Highly favoured is the Aureus, a gold coin used by the Romans 2,000 years ago. Also winning the Mediterranean vote would be the Electrum, a rare alloy used by the ancient Greeks in coin production.

The Newton, not just a physicist but a master of the Royal Mint in the 18th century, would satisfy diehard Anglophiles.

A nod towards popular culture would come through naming the currency after a well-known European footballer, perhaps the Platini or even the Gazza. However, the Gazza is probably a long shot because of the thought that the plan might all end in tears: just like the aponymous footballer.

Saddam tells troops to prepare for war

Continued from Page 1

whether he should leave it. Of course he has to leave it; that is what the law says."

While some European countries, notably France, want Iraq to be offered some incentive to withdraw from Kuwait – such as a Middle East peace conference – US and British officials have insisted that aggression must not be rewarded, and rejected public linkage between the Gulf crisis and the Arab-Israeli dispute.

Mr Baker said he was going to Geneva to tell Iraqi leaders that they had the two options of complying with UN resolutions fully and withdrawing, when they would be assured force would not be used against them, and "if they are not willing to do that, they, in all probability, will have force used against them to eject them from Kuwait."

He added that he would be discussing with allies the commitment of their forces to any military action.

Yesterday the European Community urged Iraq to reconsider its refusal to countenance a Luxembourg meeting between Mr Aziz and the EC after his discussions with Mr Baker in Geneva.

US Congressional leaders intend to open formal debates immediately after the Geneva meeting in both the Senate and the House so that votes will be taken during the week of the UN deadline.

Mr Tom Foley, the Democratic House Speaker, said he thought Mr Bush would at present narrowly win a House vote on a resolution similar to the UN measure authorising the use of force.

Senator Robert Dole, the Republican minority leader, predicted that such a resolution would pass with a bipartisan majority in the Senate.

Banking rescue package talks

committee, said the proposal would involve the bank swapping $706m of debt for equity and receiving federal assistance from Washington.

The proposal is also being discussed with the FDIC and the Office of the Comptroller of the Currency, whose approval would be required.

Meanwhile, in Rhode Island, emergency meetings continued as Mr Bruce Sundlun, the governor, tried to solve the state's own banking crisis. Mr Sundlun ordered the closure of 45 banks with $1.7bn of deposits and 300,000 accounts last week after a local private deposit insurance fund collapsed.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	15	59
Algiers	S	15	59
Amsterdam	F	7	45
Athens	F	16	61
Bahrain	S	17	63
Bangkok	C	33	91
Barcelona	S	13	55
Beirut	-	-	-
Belfast	S	3	37
Belgrade	C	6	43
Berlin	C	6	43
Biarritz	F	16	61
Bombay	S	28	82
Bordeaux	R	11	52
Boulogne	F	8	46
Brussels	S	7	45
Budapest	S	2	36
Buenos Aires	F	30	86
Cairo	S	20	68
Cape Town	S	23	73
Caracas	C	27	81
Casablanca	S	15	59
Chicago	F	-8	18
Cologne	F	8	46
Copenhagen	R	3	37
Corfu	R	11	52
Dallas	R	6	43
Dublin	F	4	39
Dubrovnik	F	12	54
Edinburgh	S	5	41
Faro	S	15	59
Florence	Dr	5	41
Frankfurt	F	7	45
Geneva	R	7	45
Gibraltar	S	16	61
Glasgow	R	5	41
Helsinki	Sn	0	32
Hong Kong	C	15	59
Innsbruck	C	3	37
Inverness	S	8	43
Islamabad	C	14	57
Istanbul	F	12	54
Jakarta	R	31	88
Jersey	S	8	46
Johannesburg	F	24	75
Lima	C	23	73
Lisbon	C	14	57
London	S	7	45
Los Angeles	C	12	54
Luxembourg	C	5	41
Madeira	S	17	63
Madrid	C	5	41
Majorca	F	14	57
Malaga	S	17	63
Malta	S	15	59
Manchester	S	6	43
Manila	R	30	86
Melbourne	C	16	61
Mexico City	C	23	73
Miami	S	24	75
Milan	C	1	34
Montreal	Sn	-4	25
Moscow	Sn	0	32
Munich	F	7	45
Nairobi	S	26	79
Naples	F	13	55
Nassau	C	28	82
New Delhi	S	17	63
New York	C	4	39
Nice	S	13	55
Nicosia	S	18	64
Oporto	R	12	54
Oslo	R	2	36
Paris	F	8	46
Peking	S	-1	30
Prague	F	5	41
Reykjavik	F	1	34
Rhodes	R	15	59
Rio de Janeiro	C	30	86
Rome	C	12	54
Salzburg	F	3	37
San Francisco	F	4	39
Seoul	S	-3	27
Singapore	F	31	88
Stockholm	F	3	37
Strasbourg	F	8	46
Sydney	S	23	73
Taipei			
Tangier	S	14	57
Tel Aviv	S	18	64
Tenerife	S	21	70
Tokyo	S	8	46
Toronto	C	-7	19
Tunis	F	15	59
Valencia	S	14	57
Venice	Fg	3	37
Vienna	F	4	39
Warsaw	F	4	39
Washington	R	4	39
Zurich	C	7	45

Temperatures at midday yesterday C - Cloudy Dr - Drizzle F - Fair Fg - Fog H - Hail R - Rain S - Sunny Sl - Sleet Sn - Snow T - Thunder

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COMPANIES & MARKETS
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INSIDE

JAL acquires 14% of Lockheed subsidiary

Japan Airlines (JAL) is taking a 14 per cent stake in a subsidiary of Lockheed, the US aerospace group, in the latest example of airlines forging increasingly close ties with large aerospace groups. The agreement with JAL involves the US group's Lockheed Commercial Aircraft Centre (LCAC) set up recently in California to maintain and modify Boeing 747 jumbo jets. JAL owns the world's largest 747 fleet with 67 Boeing jumbos in service, and another 64 aircraft on order. Page 12

Germany grazes on home turf

German companies pulled in their horns abroad and turned their attention to new openings in the eastern part of the country last year, according to figures compiled by the mergers and acquisitions consultancy M&A International. The total number of west German investments abroad fell to 186 in 1990 from 215 in 1989, while investments in the European Community were down to 103 from 129. East/west German deals are expected to gather steam this year – west German companies made 101 east German purchases in 1990, while foreigners made 15. Page 12

The Ecu's twelfth birthday

The Ecu first popped into sight in a European Commission memorandum dated December 18 1978 and took its first faltering steps towards common usage in 1981, when the first Ecu-denominated bonds were offered. Last year, Ecu14bn ($19.6bn) of bonds were issued, making the Ecu the fourth most popular currency among international investors, behind dollars, sterling and yen. Simon London examines the political and economic benefits that have made the Ecu the financier's favourite child. Page 14

US bonds prevaricate

Politicians and economists have at last made up their minds – the US is in recession. With that understood, they have greeted the new year with a new question – how long will the recession last? The set of unemployment figures released on Friday morning indicate it will be short and shallow. But a steady run of dismal economic data, widespread debt in corporate America, and uncertainty in the Gulf suggest otherwise. Trapped between these conflicting views, US bond markets could do nothing this week but prevaricate. Nikki Tait reports. Page 13

Market Statistics

Companies in this section

UK seeks help for its first Ecu bond issue

By Tracy Corrigan in London

THE BANK of England has started active discussions with banks in London over the UK government's first European Currency Unit bond issue.

Bankers expect the government to issue Ecu bonds within the next few months, before the launch of the London International Financial Futures Exchange's Ecu bond futures contract in March.

Meanwhile, the Bank of England, which is advising the government on the issue, must choose a bank to act as arranger of the issue, a decision fraught with political and practical difficulties.

The Bank of England declined to comment, except to say that a potential deal was under consideration.

Although the UK government would probably like to appoint a UK bank, there are no UK institutions at the forefront of the Ecu bond market. The accepted market leader is Paribas Capital Markets, but a French arranger of the UK's first foray into the Ecu bond market would be a hard pill to swallow.

In an effort to better their chances, some UK houses are teaming up with banks in continental Europe which have a strong presence in the Ecu market.

For example, Barclays de Zoete Wedd is said to have joined forces with Deutsche Bank Capital Markets, and Baring Brothers with the Union Bank of Switzerland, at least for the purpose of presentations to the Bank. However, there may be some reluctance to award the mandate to a bank based outside the European Community.

Some bankers say that to avert controversy, the Bank of England may decide to arrange the deal itself and then appoint underwriters.

UK institutions, which have only become active in the Ecu bond market over the last year, are expected to be enthusiastic buyers.

Even before sterling's entry into the Exchange Rate Mechanism, the increasing range of actively-traded bonds by European governments and agencies had at last attracted many investors to the market, and the UK's Ecu offering is likely to entice more.

The issue is expected to total around Ecu2bn ($2.8bn). The maturity will be between seven and 10 years, so that the bonds can be delivered as settlement for the Liffe futures contract. Dealers say that the issue is likely to be structured as a Eurobond, rather than a gilt.

Last month, the Bank cleared the way for gilt-edged market-makers to deal in non-sterling instruments, so the issue could be traded by either Eurobond or government bond traders.

Ahead of the UK's Ecu bond issue, the European Investment Bank and the Kingdom of Belgium are both lining up to tap the Ecu market.

Ecu bond markets, Page 14

Risks and rewards of change in Frankfurt

Katharine Campbell on how the repealing of Germany's equity turnover tax has altered a financial landscape

For years, Frankfurt bankers have complained about their country's turnover tax on securities transactions.

The tax has been blamed for driving a large part of secondary trading in German securities abroad, to London and Luxembourg. If only it were removed, *bankers argued, Frankfurt would* be a much stronger competitor as a financial centre.

Last week, their wishes finally came true. From the beginning of January, turnover tax was repealed; at the same time, cumbersome registration requirements for securities issues ended.

These developments follow a year of changes in German banking practices: the introduction of a partial auction system for government debt; the promotion of Fibor, the local interbank reference interest rate; and the start of financial futures trading.

All this means that the way is now open for important changes in German financial markets. But the ultimate effects may pose as many challenges for the banks as opportunities.

The turnover tax – which required the purchaser to pay between 0.1 and 0.25 per cent of the value of securities changing hands – had been deeply unpopular with Frankfurt bankers, conscious of the increasing competition between international financial centres.

The issue of capital market taxes became still more contentious two years ago, when the federal government imposed, then abruptly withdrew, a 10 per cent *withholding tax*. The episode undermined attempts to promote *Finanzplatz Deutschland*, Germany as an international financial centre.

The withholding tax affair strengthened the bankers' sense of ill-treatment. But the Bonn government wavered between the *bankers' complaints over the* turnover tax and its own need for revenues.

In 1990, with equity turnover up more than 30 per cent compared with the previous year, the tax swelled the central coffers by an estimated DM 900m ($603m).

The die was cast in the autumn of 1989, when the Frankfurt stock exchange suffered more than most from the "mini-crash" of October 13. The decision to repeal the tax was announced shortly *afterwards. It has taken effect at* the start of a year which is likely to show the highest budget deficit for a generation, leaving the government casting around for new, politically acceptable sources of revenue.

The tax's abolition will not have an immediate effect on Frankfurt's competitive position. In some ways, it had accumulated an irritation value out of proportion to its true impact. The levy did not apply to central government bonds, so it cannot be blamed for the high proportion of German government debt traded in London. Its removal, therefore, will do little to strengthen Frankfurt's competitive edge in this market.

*Similarly, the fact that signifi*cant business in German equities is also conducted in London had more to do with the attractions of London's way of doing business than with the tax's impact on non-bank investors. And transactions between banking institutions were always exempt.

In one area, however, the tax had an important impact. It strangled the growth of money market instruments such as commercial paper, certificates of deposit and floating rate notes. Spreads on these instruments are so thin that even a small tax renders them unattractive.

Now that it's viable, D-Mark commercial paper could develop into an attractive borrowing route for German companies

The tax was not the only barrier to commercial paper issuance.

Another obstacle – two paragraphs of the Civil Code requir*ing finance ministry approval to* issue new securities – also fell away from January 1, rather to the bankers' dismay.

With the two changes, D-Mark commercial paper is now viable. Given high interest rates, it could quickly develop into an attractive alternative borrowing route for German companies.

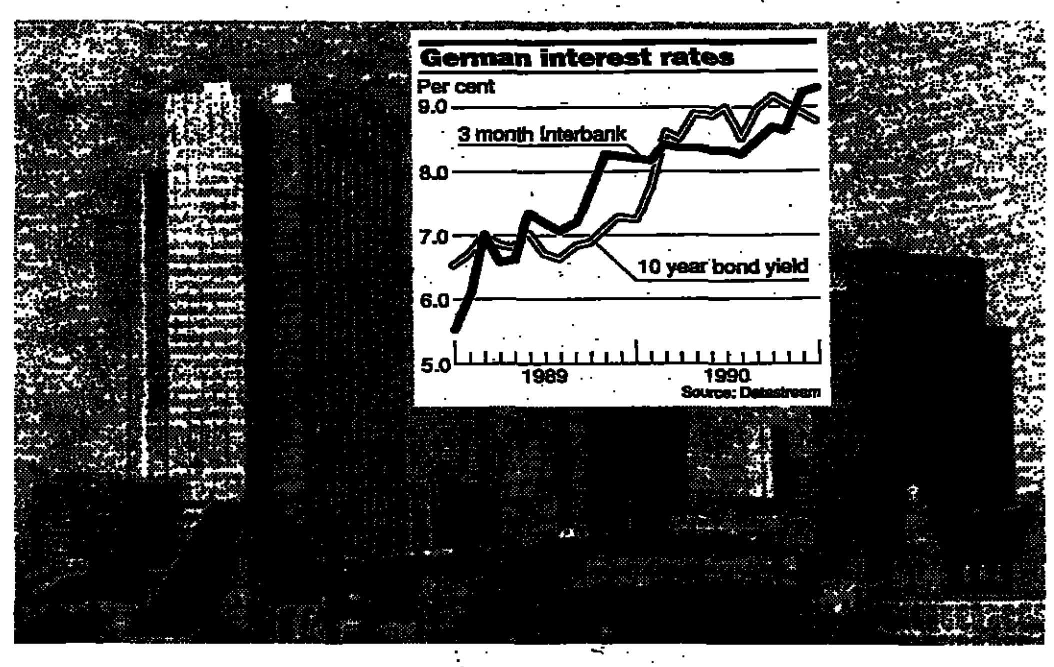
Many of these have already been active in the big US commercial paper market and in markets in other currencies, such as guilders.

Significantly, the first D-Mark commercial paper financing, announced last month, comes from Deutsche Bank, arranging a DM500m commercial paper programme for Daimler Benz.

Deutsche's participation is seen as a signal to other potential market participants. Until now, German banks have opposed "disintermediation", in which corporate borrowers sell short-term debt more or less directly to institutional investors. "A taboo has been broken and this brings a certain dynamism into the product," says one official prominent in the foreign banking community.

As the commercial paper market develops, it could further erode established banking rela*tionships, if institutions compete* to offer more attractive pricing to corporate borrowers.

Other money market instruments common elsewhere – certificates of deposit (CDs), used to raise money by banks – must, for the moment, wait their time. They will not become attractive *without further regulatory* changes, notably a relaxation of minimum reserve requirements currently enforced by the Bundesbank.



The subject is assumed to be on the agenda of the central bank policy council in the first quarter of this year.

The availability of CDs would create an important source of cheaper funds for foreign banks. Their current uncompetitive funding base – largely through the expensive interbank market – means that they lose money when interest rates are high as has been the case in the last two years.

An outright abolition of minimum reserve requirements on term deposits would be out of the question, because it would signal an easing of monetary policy. The Bundesbank would not wish to send such a message when it is *considering a further increase* in interest rates largely necessitated by ballooning budget deficits.

But at the time of the ½ percentage point rise in the Lombard rate in November 1990, the council is understood to have discussed the possibility of introducing a market-related Lombard rate and simultaneously easing reserve requirements for term deposits. Such a step would have been neutral in monetary policy terms, and would have helped Frankfurt's competitive position. (The big loser would be Luxembourg, where borrowers and lenders of D-Marks have conducted much of their business, to avoid the *minimum* reserve requirements.)

Making German financial markets more internationally competitive is not the only consideration, however.

Political obstacles, notably the conflicting interests of the regional and central Bundesbank *directors, play a role too. Such* pressures may delay the moment when CDs become routine funding devices.

An active money market will clearly take some time to develop, and it remains to be seen how enthusiastically the German banks embrace the new instruments.

In the long run, however, the banks' cheap funding base could be considerably eroded, as commercial paper makes their term deposit rates less attractive. This effect would be particularly marked if retail money market funds along US lines are permitted.

The EC's Ucits directive already permits the creation of funds containing a proportion of money market instruments. Full money market funds would require a German legislative change, something the Bundesbank is likely to oppose.

In time, however, such pres*sures will inevitably lessen the* German banks' access to cheap funds. Having your wishes granted is not always an unalloyed pleasure.

Economics Notebook

Too many cooks spoil Italy's budget

IT IS pure coincidence that Mario Sarcinelli should have decided to quit as director general of the Italian Treasury at a time when political reform is the flavour of the month in Italy. Thousands of words have been written in recent weeks by journalists, academics and politicians about the need for constitutional changes which would decisively shift the balance of decision-making power away from parliament in favour of the executive.

In all of the other main European economies, the Treasury ministry has far more decisive control over government spending policies than in Italy. Here the absence of effective horizontal co-ordination between ministries and the rel*ative inability of the govern*ment to impose its budgetary design on parliament means that a coherent budgetary strategy is constantly falling victim to short-term and frequently extremely local political exigencies.

After dedicating eight years to trying to design and secure the application of a strategy for coping with Italy's severe problems of accumulated debt and extraordinarily high budget deficits, Mr Sarcinelli decided last month to accept one of the two deputy presidencies of the European Bank for Reconstruction and Development (ERBD). He is being characteristically reticent about his reasons for doing so, but it is not at all unlikely that he is feeling a growing sense of despair about the prospects for turning around the budgetary problem under Italy's present institutional arrangements.

On one occasion last October, his public mask of ascetic imperturbability slipped and he spoke of the "unsustainable" situation of the national public finances. "Government debt issues are becoming gone on, he would have been supervising gross issues by the Treasury next year to finance new and to roll over existing debt of L520,000bn ($460bn) – "a figure without parallel in the European Community," said Mr Carlo Azeglio Ciampi, the Governor of the Bank of Italy, last October.

On paper, the 1991 budget, passed by parliament just before Christmas, promises important progress in the government's medium-term plan to stabilise public finances by 1993. The goal is to reduce the budget deficit as a proportion of gross domestic product from last year's 10.7 per cent to 6.4 per cent while establishing total debt at a peak of 104.6 per cent of gdp in 1992.

Rome is weighed down by accumulated debt and high budget deficits. As patience wears thin, reform is flavour of the month

Next year's budget numbers are encouraging: a deficit of L32,000bn (9.3 per cent of gdp) which is built on a current surplus of L8,000bn – the first time that revenues will have exceeded expenditures net of interest payments for more than a decade and a half. But the actual measures designed to achieve these ends are a scissors and paste job of revenues brought forward from 1992 and spending cuts of uncertain value. Some L5,600bn is even scheduled to come in from the sale of state assets, although not a single detailed proposal has yet been produced.

Only now are Italians seriously beginning to discuss the degree to which their political system is responsible for the worsening of the national debt-to-gdp ratio by 40 percentage points during the 1980s com-

Mr Sarcinelli himself offered a somewhat technocratic explanation for the inadequacy of Italian fiscal policies in an article published last year* while Mr Guido Carli, the current Treasury Minister, recently said that in the absence of political reform the government could only apply "partial corrections" to the deficit problem.

According to the departing director general, the parliament and the bureaucracy conspire together to produce fragmented spending initiatives favouring particular groups which then generate demands for equal measures from those not benefiting. Budget constraints and efficiency requirements are quickly forgotten, particularly where local authority spending is concerned since funds are obtained from the centre without local politicians having any real responsibility for raising money.

In an interview published last week by Corriere della Sera, Mr Carli was more explicit, arguing that changes in the electoral system were needed, in the balance of powers between government and parliament and in giving more revenue-raising authority to local governments.

He spoke admiringly of the British, French and German budget-making systems in which parliamentarians have little or no actual power to introduce spending amendments. Instead, the 1991 Italian budget was littered with subsequent opportunities for the parliament to pass "mini-laws" Rossini Festival or the bimillenial celebrations of the birth of the poet Horace. Altogether, the parliament had added about 80 new spending lines to the government's 1991 budget proposal, creating more uncertainty in a system "in which the contingent variables now exceed the stable factors.

"This is why I say that there is no reason for surprise if the government is forced . . . to make continual corrections during the year," said Mr Carli.

Taking away the individual deputy's right to amend the budget would be a useful step forward, said the minister, which would need to be accompanied by the abolition of the preference voting. This gives voters the right to back individual candidates on the party lists and obviously encourages politicians to go hunting with public money for support among organised groups.

The case for strengthening the Italian executive at the expense of the parliament does seem unanswerable to any objective observer. But there are also some reasons to doubt whether a more efficient and transparent system is attainable without a change in the political mores which sanction the exploiting of public provision for private gain. In the meantime, the opening over the past two years of the Italian financial system through the abolition of exchange controls and the new disciplines imposed by the lira's move into the narrow fluctuation band of the Exchange Rate Mechanism remain the most promising sources of pressure for a real improvement in public finances.

* *Mario Sarcinelli, Trends and Imbalances of Italian Public Finance, Review of Economic Conditions in Italy, May-August 1990.*

Investcorp raises net profit 28% to $66.3m

By Victor Mallet in London

INVESTCORP, the Bahrain-based international investment bank which bought US fashion retailer Saks Fifth Avenue for $1.6bn in July, yesterday announced 1990 net profits of $66.3m, a 28 per cent rise over the previous year.

Mr Abdul-Rahman Salim al-Ateeqi, chairman of the board, said 1990 had been the company's most difficult year. "Not only did we have to cope with the economic downturn, declining equity and property markets and a troubled financial community but also with *the aggression against Kuwait*," he said.

Investcorp, which channels money from the Gulf into western investments, moved to allay concerns about the effects of the Gulf crisis among its banks, clients and shareholders by shifting control of its assets from Bahrain to Investcorp in Luxembourg. "While our assets are now controlled outside the Gulf region, our operational headquarters will continue to be in Bahrain," Mr al-Ateeqi said. Assets rose 16 per cent to $943.9m in 1990, and return on average assets was 7.5 per cent; return per employee was $397,100. Total shareholders' funds were $243m at the end of December, and return on average shareholders' funds last year was 30 per cent.

Mr Michael Merritt, a member of the management committee, said that while the Gulf crisis was obviously disruptive, most investors, including Kuwaiti institutions and individuals, continued to remain active. Investcorp had not released any of its 167 staff in Bahrain, London or

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JAL to buy into Lockheed jet maintenance offshoot

By Paul Betts, Aerospace Correspondent

JAPAN Airlines (JAL) is to take a 14 per cent stake in a subsidiary of Lockheed, the US aerospace group, newly set up to maintain and modify Boeing 747 jumbo jets.

JAL owns the world's largest 747 fleet with 67 Boeing 747s in service. The Japanese carrier has also ordered another 64 of the latest version of the Boeing aircraft, the 747-400.

The agreement with Lockheed reflects the trend of airlines to forge close ties with large aerospace groups.

It is also part of Lockheed's efforts to expand in the commercial aircraft maintenance and modification engineering sector after dropping out of the large commercial jet aircraft manufacturing business. Lockheed, primarily a defence contractor, has been seeking – like other aerospace groups – to increase its operations in civil sectors to offset the decline in military programmes and defence spending.

The agreement with JAL involves the US group's recently formed Lockheed Commercial Aircraft Centre (LCAC) based at Norton Air Force Base in California.

Norton is one of the military bases the US plans to close by 1994. Lockheed has agreed to occupy two bays of a four-bay hangar at Norton and will occupy the other two bays when the air force leaves.

The new facility for Boeing 747 modifications is expected to become operational in the first quarter of this year and will employ 450 people by the end of the first year of activity. By 1994, the Lockheed-JAL joint venture is expected to employ nearly 1,000 people.

Lockheed and JAL have not disclosed how much the Japanese airline is paying for its 14 per cent stake. But they said JAL would share in the management of the company.

The Japanese carrier will also be involved in the company's quality control and planning staff and will assign technical instructors, engineers and inspectors at LCAC as required.

Mr Akio Nakamura, JAL's US managing director, said the airline anticipated that a significant number of its 747 aircraft would require modifications and maintenance in the next few years.

The growth in the worldwide fleet of 747 aircraft, the continued use of older aircraft and more stringent airworthiness regulations have created a big demand for aircraft maintenance facilities. Lockheed said facilities capable of providing complete maintenance services for large aircraft were now in short supply.

Windsor sharply lower at £242,000

By Richard Lapper

WINDSOR, the insurance broking group, saw its pre-tax profits drop sharply to £242,000 in the year ended September 30, from £653,000 for the previous year.

Earnings per share fell from 1.57p to 0.36p, and there is no dividend, against 0.5p.

Turnover increased from £7.52m to £8.13m. But profits were pegged back by a growth in expenses linked to an unsuccessful effort to diversify into broader financial services business. Staff costs increased from £3.63m to £4.07m.

Mr Stanley Taylor, chairman, admitted that 1990 had been a "difficult and frustrating year" and said the company had "been blown off course" by its diversification. It would now concentrate on its core broking business.

Following the acquisition by Warringtons, the property developer, of a substantial shareholding in the group, Windsor acquired a 75 per cent interest in Commercial Holdings Group, a network of franchisees acting as brokers for mortgages and loans.

Last July, Windsor said it expected a £900,000 write down of its investment in Commercial; the subsidiary was later placed into liquidation.

Mr Philip Reid, chief executive of Windsor who had joined the group from Warringtons, resigned from the board last year.

German merger activity declines

By Katharine Campbell in Frankfurt

THE mergers and acquisitions activities of German companies declined during 1990 as domestic enterprises pulled in their horns abroad and turned their attention to new openings in the eastern part of the country, according to figures compiled by M&A International.

German companies completed only 186 deals abroad, compared with 215 in 1989, according to the consultancy group, which specialises in advising medium-sized companies from its base in Königstein outside Frankfurt. Within the European Community, German investments were down to 103 from 129.

In east Germany, west German companies have bought 101 entities, with 15 going to foreigners, says M&A, giving no value for these transactions. However, much of the activity in the east has been through start-ups, joint ventures and operations conducted from west Germany – with many of the important acquisition investments expected this year. Therefore M&A's figures fail fully to reflect the time and resources diverted from other expansion towards exploiting the nascent eastern market.

The Germans made fewer purchases in France (23 transactions compared with 40 the previous year), but they were more active in the UK (40 versus 21) and slightly more so in the US (40 against 38). Lower prices, dictated by the latter two countries' economies veering towards recession, and the strength of the D-Mark, largely account for that increased activity, M&A says.

Within Germany, 1,412 companies with a combined value of DM52bn ($10.5bn) changed hands in the course of 1990, after 1,424 the previous year worth DM57bn. Foreigners were involved in 469 deals, compared with 459.

The number of large transactions has fallen overall, partly as a result of increased capital gains tax, the group suggests. The figures exclude joint ventures and minority interests, and the outcome of some bid situations is still awaited, notably the fate of Pirelli's overtures to tyre manufacturer Continental.

This year, the British surpassed the Americans as the most active foreigners in corporate Germany, effecting 90 deals, against 87 in 1989, to the Americans' 68 compared with 97.

Meanwhile, prices began to soften in Germany towards the end of 1990, a trend that Mr Arno Buckhardt, managing director of M&A, sees continuing into 1991.

He also forecast that investment in east Germany would account for about a third of the total German market.

"This [preoccupation] of west German companies will allow foreign companies again to increase their investments in Germany," he added.

More retailers in Chapter 11

By Karen Zagor in New York

THE US recession and falling consumer spending has claimed more victims, with three of Enstar Group's retail subsidiaries and Best Products filing for protection from creditors under Chapter 11 of the Bankruptcy Code.

Both groups are casualties of the leveraged buy-out frenzy of the 1980s which left them with large debt burdens and limited liquidity.

Best Products, one of the biggest US catalogue showroom retailers, was taken private in a $1.1bn leveraged buy-out in 1988. Speculation that the Virginia-based company might be forced into bankruptcy started in late December, when Best said it was having trouble renegotiating its debt because of the disappointing Christmas retail season and economic slowdown.

The company turned in a loss of $59.9m in the first half of last year on sales of $850m. In December, Best had $664.8m of long-term debt on its books.

Manufacturers Hanover, Best's lead banker, said that about $181m of its outstanding loans to Best had been placed on non-accrual status and would be reflected in the bank's non-performing loans as of December 31 1990.

Enstar, a financial-services and retailing group, said yesterday that its Enstar Specialty Retail subsidiary and its Shoe City and Amret retailing operations would file for Chapter 11 protection in the hope of returning to profitability.

Enstar, which started life as Kinder-Care Learning Centers in the 1960s, expanded rapidly in 1987, using funds raised by Mr Michael Milken, the recently-indicted junk bond king, and Drexel Burnham Lambert, the investment house now in bankruptcy. The company acquired a savings and loan association in Florida, several retailing businesses and a magazine for deer hunters.

Liffe volume passes that on Matif

By Deborah Hargreaves

THE London International Financial Futures Exchange (Liffe) overtook its European rival, the Matif, the French futures exchange, in contract volume last year when it traded 34m products.

This marked an increase in volume of 10m contracts or 48 per cent compared with the 10 per cent jump in volume to 28.6m contracts traded at Matif.

Matif had edged ahead of Liffe in 1989 when it traded a record 26m lots, 2m more than its London rival. However, the success of Liffe's German bond futures contract in the year of German monetary and political unification buoyed the exchange's volume.

Bund futures traded 9.6m lots in 1990, a leap of 75 per cent, from 5.3m the year before.

In France, the exchange's 10-year bond futures contract accounted for the lion's share of volume at the Matif, trading almost 16m contracts.

The exchange's fledgling Ecu bond futures, which started trading in mid-October, notched up 56,292 by the end of the year.

An increasing interest in international indices by fund managers saw Matif's CAC 40 index futures increasing in number by almost four times to 1.6m lots traded.

At Liffe, FT-SE 100 futures trading was up 40 per cent at 1.4m compared with 1m.

Liffe said that its after-hours screen trading system was about to trade its millionth contract.

Hunting sells car components side for £5m

By Jane Fuller

Hunting, the defence, aviation and oil company, has sold a loss-making car components business to the management for £5m.

The business, called Hunting Precision Components, which exports car parts to the US, was regarded as non-core. Its net assets were valued at £7.3m in December 1989.

The sale price of £5m, of which £4.3m was paid in cash, was in line with the group's reduced expectations following the deterioration of the markets in which the non-core businesses were operating.

When Hunting announced a near 12 per cent increase in pre-tax profit to £19.86m for the first half of the year, it registered an extraordinary loss of £10.4m to cover the fall in the estimated realisable value.

Durham expansion

DG Durham Group, the USM-quoted Lloyd's of London insurance broker, is expanding with the acquisition of the broking businesses of Hadley Cannon International and associated companies, for an undisclosed amount.

Hadley Cannon is one of the largest independent marine cargo brokers at Lloyd's, specialising in the freight forwarding industry. The enlarged Durham Group will generate brokerage income of £12m.

Amstrad in drive to boost European sales

By Michael Skapinker

AMSTRAD, the UK electronics group, has formed a joint venture company in Greece and is looking for an acquisition in Scandinavia as part of a drive to increase its European sales.

Amstrad Hellas, the Greek subsidiary, will be 51 per cent owned by Amstrad, with the remaining 49 per cent in the hands of Mr Akis Karaiosifidis, the owner of Micropolis, Amstrad's Greek distributor.

Mr Alan Sugar, chairman of Amstrad, said the company also wanted to buy a subsidiary in Scandinavia.

He was interested in a similar joint venture agreement or an outright purchase.

Although over half Amstrad's sales come from outside the UK, its forays into foreign markets have not always been happy. In 1989, Mr Sugar replaced the managing director of Amstrad's Spanish company, which he had previously regarded as well run. Mr Sugar said, however, that he had learned a "nightmare lesson" and was now more confident about his ability to choose foreign managers.

Amstrad also announced that it was moving its Staffordshire-based distribution subsidiary to its group headquarters in Essex.

Lexicon in profit after second half improvement

A MATERIAL improvement in the second half put Lexicon into profit for the year ended August 31 1990, after losses in the three previous periods.

This Boston-based maker of digital audio processing equipment, listed in London, said cost controls as well as strong sales of professional audio products were major factors in improving profitability.

Pre-tax profit for the year came to $99,000, against a loss of $89,000. After tax and cumulative effect of change in accounting principle the net profit was $384,000 (loss $151,000), or 4.2 cents per share (2 cents). In view of the company's growth needs the dividend is again 0.25 cents; officer/director shareholders have waived their entitlement.

There was a 12 per cent drop in sales to $15.08m, primarily because of working capital limitations which restricted the delivery of high volume products. Order backlogs reached record levels at mid-year and had remained strong through the year-end and into the current term.

Rising fuel costs hit Thai airline

THAI Airways International, the flag carrier of Thailand, has announced a fall in pre-tax operating profits to 6.75bn baht ($270m) for the year to September 30 1990, from 7.42bn baht a year earlier, AP-DJ reports.

The company attributed the drop to rising fuel costs and inflation in the last two months of the fiscal year and the world economic downturn.

Gross revenues rose by 11.9 per cent to 48.62bn baht for the year, while expenses climbed by 16.1 per cent to 41.86bn baht.

The airline added 14 aircraft during the year. Available ton-kilometres increased by 11 per cent and revenue ton-kilometres by 14 per cent, improving the load factor to 70.7 per cent from 69.3 per cent.

A total of 8.3m passengers was carried, an increase of 12.5 per cent on the previous year.

American Airlines to axe 11% of daily flights

By Nikki Tait in New York

AMERICAN Airlines, one of the largest carriers in the US, is to cancel about 11 per cent of its daily flights by February.

The airline claims that the reductions stem from "illegal job actions" by its pilots' union, although the union has denied organising any such moves.

The reduction in flights will occur in various phases. Flights will be reduced by 4 per cent in January, as already announced, and then by a further 7 per cent in the following month.

The reductions will mean that American Airlines discontinues services to eight cities, including Grenada and Curacao as well as US destinations such as Chattanooga, Tennessee and Charleston in South Carolina.

American Airlines claims that a record number of pilots, who have been engaged in contract talks for a year, called in sick before Christmas, one of the busiest times of the year, and caused the airline to cancel more than 800 flights in a five-day period.

The loss of pilots to the Gulf operation has also reduced flexibility.

● The US transport department has turned down a request by Delta Airlines for a combined hearing into the sales of transatlantic routes into London by Pan Am and Trans World Airlines to United Airlines and American Airlines respectively.

Explaining the decision, the authorities said that "it wouldn't serve the public interest" to delay the decision in the case of the severely cash-strapped Pan Am.

Sears, Roebuck cuts 21,000 jobs

By Barbara Durr in Chicago

SEARS, Roebuck, the struggling US retailer, has announced that it will eliminate 21,000 non-selling jobs in its stores across the country by mid-year.

The move, which affects 7 per cent of its workforce, is part of the company's effort to cut costs to compete with such successful US discount chains as Wal-Mart, K-Mart and Target. It is estimated that the jobs reduction will save the company some $250m annually.

Sears, Roebuck has been trying to revamp its core retailing operations for three years, but has so far been unable to turn the operation around. Sales last year for the 47 weeks ended December 29 were up a poor 1.8 per cent for stores open more than one year.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
United Biscuits (UK)	Oxford Biscuits (Denmark)	Biscuits	N/a	Further RJR Nabisco fallout
Total-CFP (France)	Finagas unit of Petrofina (Belgium)	Liquefied gas distribution	£30-40m	Total reinforces mkt position
Morning Star Holdings (Hong Kong)	Victoria Holdings (Australia)	Hotels	£15m	Needs approval by s'holders, regulators
Claridge Israel (Canada)	Osem (Israel)	Food	£14m	33% stake; surprise diversification
Jefferson Smurfit (Ireland)	Lestrem Group (France)	Paper & packaging	N/a	Continuing European development
Compagnie Générale de Chauffe (France)	Aid-Call (UK)	Monitors & alarm systems	£6.24m max	Recommended offer
Golden Vale (Ireland)	E Ladbrooke and Collins Dairies (UK)	Dairy produce	£3.25m	UK expansion for Cork firm
Newman Tonks (UK)	O Mustad & Fils (France)	Door control equipment	£1.6m	NT resumes European growth
BHP (Australia)	ARC Titan (Papua New Guinea)	Steel storage & processing	N/a	BHP doubles stake to 80%
Hanson (UK/US)	Garant (Canada)	Garden tools	£7.1m	Expansion of existing intsts

writes Brian Bollen.

Source: FT Mergers & Acquisitions International

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

New questions for the new year

NEW YEAR, new questions. For the past few months, politicians and economists have argued earnestly whether or not the US economy was in a recession.

Now that the authorities have conceded that it is, the debate seems set to move on. The question taxing the markets last week was simple: how long will such a state of affairs persist?

The answer is anything but clear-cut. The official line is that the recession should be short and shallow. The projection is for a fall in GNP of 3.4 per cent in the fourth quarter of 1990, followed by a further, but more modest, decline of 1.3 per cent in the first three months of 1991.

This optimistic scenario was neatly buttressed by the set of unemployment figures released on Friday.

The surprise for analysts was that the number of non-farm jobs slipped by only 76,000 last month – about half the number that they, and the markets, had been expecting.

The significance of this data is debatable. Those analysts who take a bearish view of the economy were quick to offer explanations. One argument suggested that manufacturers had been unusually speedy in sensing the impending recession and, accordingly, had cut jobs at an early stage of the down-cycle. More plausible, perhaps, was the simple observation that jobless data is notoriously volatile, and the three-month trend on this front is still convincingly grim.

Pressing home their case, the bears also note that, unemployment figures aside, there has been a steady run of dismal economic news of late. "The bulk of the economic data continues to signal steeply sliding economic activity," suggested Salomon Brothers, in the wake of Friday's news.

"Reports in the past week have registered a record plunge in factory orders, a drop in the purchasing managers' index to the lowest level since November 1982, a rise in the initial jobless claims, and at best indifferent Christmas retail sales."

Add on Gulf crisis uncertainty and the deeply-indebted state of a large tranche of corporate America, and it is easy to argue that recession will be neither short nor shallow. "This recession is bad already and is worse than it looks by normal measures – mild it won't be," suggested Mr Bob Brusca, economist for Nikko Securities.

Faced with such conflicting views, there was little for the bond markets to do but prevaricate. The 30-year Treasury bond had ended the old year's final week of trading yielding a whisker under 8.30 per cent. As the initial flow of drab statistics got under way, prices moved up and yields showed a corresponding drop – first to 8.24 per cent, then to 8.13 per cent, and finally to 8.10.

But Friday's news quickly halted the trend – with the market reasoning that further immediate easing on the interest rate front could be delayed if the economy was already showing signs of recuperation. Prices surged across the market, and the long bond yield moved back to 8.20 per cent.

In fairness, the jobless data is not the market's only concern. For a start, there is the continuing instability in the Gulf. More concretely, the market knows that the current week is likely to see a heavy tranche of new issues.

Still, amid the long faces there was still the odd enjoyable moment. The Federal Reserve, moving to ease credit at the end of last week, chose to add some $2.5bn to the banking system. Its largesse, however, proved somewhat overdone and the Fed funds rate – which had opened at 7.25 per cent, or one-quarter of a percentage point above the perceived target – fell to as little as 5 per cent by the close. This was unquestionably an aberration – less politely, a blunder – and will not persist. But, just for a moment, it was a rather nice thought.

Nikki Tait

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (not weekly av)	5 00	6.50	7.06	9.92	5.00
Three-month Treasury bills	6.71	6.62	7.10	9.11	6.62
Six-month Treasury bills	6 80	6 85	7.09	9.37	6.80
Three-month prime CDs	7 41	7.55	7.65	10.35	7 41
30-day Commercial Paper	7 15	9.00	7.70	9.95	7.15
90-day Commercial Paper	6.95	8 15	7 50	10.05	6 95

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	104 1/4	+1/8	7.92	8 02	7.94
20-year Treasury	109 3/8	+1/2	8.21	8.31	8 19
30-year Treasury	105 3/8	+1 1/4	8.20	8.30	8 18

Money supply: In the week ended December 24, M1 rose by $4bn to $828bn

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 27/12/90	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	150 72	7.16	150.77	141.86	145.94
Government Bonds	148.64	6.98	148.52	138.61	143.57
Municipal Bonds	153.16	7.16	153.14	143.59	148.10
Govt.-guaranteed Bonds	155.59	7.25	155.57	146.28	150.53
Bank Debentures	147.70	7.25	148.09	140.85	143.11
Corporate Bonds	152.53	7.62	152.30	144 43	148.88
Yen-denom. Foreign Bonds	156.22	8.17	156.00	149.75	154 4
Government 10-year†	6.60		6.62	7.65	6.72

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

Gulf crisis worries shrugged aside

THE gilt-edged securities market last week extended its pre-Christmas upward thrust, buoyed by confirmation that the government would take a tough line on defending the pound.

Shrugging off worries that a war in the Gulf would send an inflationary wave throughout the world, the market was in an optimistic mood. Long-duration gilts benefited in particular, showing an increase in prices over the week of about 1 point and a consequent drop in yields.

The benchmark 9 per cent Treasury bond maturing in 2008 reflected this trend. It was quoted on Friday night at just under 89, a rise of about 1½ points on the week. Its yield late on Friday was 10.12 per cent.

In the longer term, as the projection by Warburg Securities shows, the outlook for the long end of the gilt market may be less rosy.

Warburg economists are predicting that yields for long gilts will continue declining only for a few months, before rising later in the year as a result of a rush of new gilt issues expected in the next financial year.

The new gilts may be needed because of the government's rapidly increasing requirement to borrow money to fund public spending.

Mr John Shepperd, a Warburg analyst, says: "We are talking about a conveyor belt of gilt issues during the year. To begin with, these may not have much effect in damping down prices. But they will do so towards the end of 1991, particularly at the long end of the market."

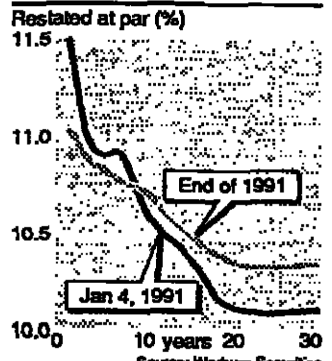
At the shorter end of the yield curve, a different set of calculations applies. The general consensus is that yields will come down during the year, reflecting the anticipated reductions in the base rate. Preoccupying the market, however, is the rate at which borrowing conditions are eased.

Gilts were helped during the week by comments from Mr Norman Lamont, the chancellor, that he was unlikely to reduce the cost of borrowing until the pound strengthened in the European exchange rate mechanism.

Largely as a result his remarks, sterling closed on Friday at DM2.9125, a gain of about 4 pfennigs on the week. It is still, however, some 4 pfennigs below its DM2.95 central rate in the ERM.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

To judge from his recent comments, Mr Lamont is enjoying the role of a hard-nosed poker player making the best of a poor hand.

He plainly intends to sit tight over the next few weeks – telling the markets that he has no intention of easing borrowing conditions to revive the battered economy.

Only after the pound has firmed is the chancellor likely to judge he can make the politically popular move of cutting rates – without the risk that the consequent reduced appeal of sterling to international investors will send the pound to its ERM floor.

As for the gilt market, it is cheering on Mr Lamont. It feels that the opportunities for reducing inflation are all the better the longer the chancellor can hold out. The annual inflation rate was 9.7 per cent in November and many economists, and the Treasury, think it will be brought down to between 5 and 6 per cent by the end of the year.

A contrasting view is that the political risks of keeping interest rates high may outweigh the problems related to sterling.

Mr Richard Jeffrey, an economist at Hoare Govett, says Mr Lamont should take his eyes off sterling and cut rates by 2 per cent by the end of March. "It is a knee-jerk reaction to think that the pound would necessarily fall; it is just as likely to go the other way as investors gain confidence that the UK economy has a future," he says.

Should Mr Lamont take this advice – and all the signs at the moment are that he will not – the gilt market might fear the consequences in terms of the pattern for inflation during the next year.

Peter Marsh

GERMAN BONDS

Investors pleased to see the back of 1990

FEW PEOPLE will be surprised that the German bond market was not a good place to be in 1990.

Domestic investors earned overall returns, in D-Marks, on bonds of more than five years maturity of "between 0 per cent and 5.9 per cent", according to Deutsche Bank, while they would have done better in most other European markets, picking up more than 15 per cent in Spain.

However, German investors bought a record number of bonds last year. Indeed, their elastic appetite contributed to the fact that, despite an avalanche of new debt in the second half of 1990, yields on 10-year paper never quite exceeded the February highs when international investors first became alarmed at the financial magnitude of the east German endeavour.

This year, the strength of the D-Mark and the unusual spread that bunds offer over US treasuries may entice some international players, global capital shortages notwithstanding, back to Germany. They will be needed in a year when gross debt issuance is expected to exceed DM1bn for every working day.

Still, leaving aside the imponderables of the international situation, the German bond market goes into 1991 cynical about Bonn's ability to keep the budget deficit to DM140bn, but fairly confident that real yields of 6 per cent will, as they have through the upsets of 1990, attract sufficient capital to plug the seemingly bottomless east German financing pit.

Of more immediate concern is the threat of an official rate rise. The first Bundesbank council meeting of the year passed without incident. But short-term market rates already reflect the unmistakeable sabre-rattling in the last Bundesbank report to the effect that Bonn's fiscal laxity, combined with looming wage rounds, could force the bank to tighten again.

The market's expectations, bolstering the D-Mark nicely, are to a certain extent accomplishing the Bundesbank's task for it. Moreover, any move will not be for some weeks.

The draft Budget will not go before Cabinet until mid-February at the earliest, leaving open until then the question of what proportion of the projected DM35bn in budget cuts will be achieved.

A floating Lombard rate could be introduced, whereby the central bank, under pressure from falling rates in the recessionary economies outside Germany, would fix the emergency borrowing rate at a specific margin over call money.

The technical benefits of this would lie in preventing banks over-using the emergency facility when it fell below market rates – a persistent problem recently. But also, the floating ceiling allows the Bundesbank to nudge rates up via the weekly repurchase agreements, in a way that is more discreet – and less inflammatory to the international community – than headline Lombard adjustments.

The only snag is that the regional Bundesbank directors have a say in the latter, but not the former, and so are apparently less than enthusiastic.

The bond market might spend some time puzzling over the monetary policy implications of such a move – particularly were it accompanied by an offsetting relaxation of minimum reserve requirements on term money.

Katharine Campbell

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	150	101 1/4	+1/4	8.26
ABN 9 1/8 94	200	101 1/2	+1/4	8.59
AETNA LIFE & CAS 7 3/4 16	200	97 1/8	+1/4	7.94
ALBERTA PROVINCE 8 5/8 96	750	100 1/4	+1/4	8.56
ALBERTA PROVINCE 9 3/8 96	600	103 1/2	+1/4	8.44
AMERICAN EXPRESS 0 00	450	39 1/4	+1/4	9.83
AMERICAN GENERAL 9 3/4 95	100	95	+1/4	11.19
ANHEUSER-BUSCH 9 1/8 92	100	101 1/4		8.33
ASIAN DEV BANK 0 04	1000	30 1/4		9.12
AUSTRALIA 11 95	200	108 1/4	+1/4	8.60
[illegible]				
PETRO-CANADA 7 1/4 96	200	[illegible]		
PHILIP MORRIS 9 7/8 98	200	99 5/8	+1/4	9.92
PROCTER & GAMBLE 10 95	150	102 5/8		9.34
PRUDENTIAL RLTY SECS 0 99	365.216	48 1/4	+1/4	9.32
QANTAS AIRWAYS 8 5/8 96	97.75	99 5/8	+1/4	8.73
QUEBEC HYDRO 9 3/4 98	150	103	+1/4	9.18
QUEBEC PROV 9 98	200	100 3/4	+1/4	8.94
QUEENSLAND GOVT 10 1/4 95	100	105 1/4	+1/4	8.79
RALSTON PURINA 11 3/4 95	150	106 1/4	+1/4	9.83
REED PUBLISHING 9 5/8 97	150	100 3/4	+1/4	9 46
REYNOLDS (RJ) 10 1/4 93	100	92 3/4	+1/4	13.56
SAINSBURY 9 1/8 96	150	101 1/4	+1/4	8.71
SARA LEE 9 3/8 93	150	101	+1/4	8 89
SAS 10 99	200	100 3/4	+1/4	9.87
SAS 10 1/8 95	150	102 3/4	+1/4	9.36

	Issued	Bid price	Chg on week	Yield
SASKATCHEWAN 15 92	150	109 1/2	-1/4	8.37
SBAB 9 1/2 95	500	103 1/4	+1/4	8.52
SEAGRAM CO 8 1/2 96	100	96 1/4	+1/4	9.38
SEARS O/S FIN 0 98	500	47	+1/4	10 56
SEARS O/S FIN 11 5/8 93	150	103 1/4		9.98
SKANDIA INTL 7 1/4 92	200	98 1/4	+1/4	8.50
SNCF 7 1/4 94	175	98	+1/4	8.01
SNCF 9 1/2 98	150	104 1/4	+1/4	8 71
STATE BK STH AUST 9 1/4 93	100	101 1/4	+1/4	8.36
STATE EL VICTORIA 10 92	100	103	+1/4	8.22
STATOIL 7 5/8 94	200	96 3/4	+1/4	8.80
[illegible]				
EEC 5 3/8 93	300	93 5/8	+1/4	9.00
EIB 6 1/8 96	300	86 1/4	-1/4	9.30
EIB 6 7/8 95	300	91 3/4		9 00
EUROFIMA 6 1/4 98	400	85 1/4	+1/4	8.99
FELDMUEHLE FINANCE 8 99	200	92 1/4	+1/4	9.33
FERRO DEL STAT 5 3/8 93	500	93 1/4		9.16
IND BK JAPAN FIN 5 5/8 96	200	84 1/4	+1/4	9.56
INTER AMER DEV 7 1/4 99	300	89 1/4		9 11
LUFTHANSA INT FIN 5 7/8 98	500	82	-1/4	9.38
QUEBEC HYDRO 6 3/4 99	300	85 1/4	-1/4	9.36
SWEDEN 6 1/8 98	300	85 1/4	-1/4	8.88
WORLD BANK 0 15	2000	15 1/2		7.75
WORLD BANK 5 3/4 96	300	86 1/4	+1/4	9.22
WORLD BANK 7 1/8 95	500	93 3/4	+1/4	9 00

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	82 1/4	-1/4	7.78
AUSTRIA 4 5/8 98	100	85	-1 1/4	7.41
CHUJITSUYA 7 3/4 95	50	100 1/2		7 60
COUNCIL EUROPE 4 3/4 98	250	84 1/4		7 65
EEC 5 1/2 00	100	86		7 56
EIB 5 3/4 93	100	96 1/4		7.15
FINLAND 5 3/8 95	150	93 1/2	-1/4	7 00
GENERAL MOTORS 7 1/2 95	100	101 1/4	+1/4	7 07
JAPAN DEV BK 5 1/2 94	100	97	-1/4	6.60
MOUNT ISA FINANCE 5 3/4 94	100	86	-1/4	10.94
NEW ZEALAND 4 7/8 99	200	83	+1/4	7.78
[illegible]				

	Expiry	Prem	Chg on week	
[illegible]				
FUJITSU	20/04/93	5 1/4		67 47
HINO MOTORS	06/07/94	8 1/4	-1/4	34 92
KIRIN BREWERY	23/07/92	2 1/4	+1/4	65 29
MITSUBISHI EST	11/03/94	4 1/4		
MITSUI REAL ESTATE DEV	20/03/92	3 1/2		74.41
NICHII	17/02/93	3 1/4	+1/4	91 17
NIPPON MEAT PACKERS	17/09/92	3	-1/4	72 32
NIPPON OIL	14/08/92	4 1/4	-1/4	50 04
SUMITOMO CHEM	20/01/93	3 1/4	+1/4	
TOYO SASH	27/04/93	10 1/4	-1/4	27 85
TOYOTA MOTOR	15/07/92	17 1/4	-1/4	9.38
UNITIKA	20/07/93	3 1/4	-1/4	73 96
YAMANOUCHI PHARM	30/06/92	4	+1/4	50 81

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on January 4

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL CREDITS

Mortgage Corp doubles sterling CP programme

THE Mortgage Corporation (TMC), the UK mortgage lending offshoot of Salomon Brothers of the US, has doubled the size of its sterling commercial paper (CP) programme to £500m, making it the largest issuer of paper in the sterling market, according to the company.

"Commercial paper diversifies our sources of funding and provides cost-effective finance at a rate below Libor [London Interbank Offered Rate]," says Mr Jon Boyle, TMC treasury director.

Issuance of paper under the company's programme recently reached a peak of £235m with average balances maintained at £200m in December against the background of a general drop in outstanding sterling CP. Mr Boyle cites keen investor interest in the company's paper as an additional reason for boosting the programme.

The paper carries a guarantee from Salomon and has a strong underlying security since funds are used to finance TMC's residential mortgage lending prior to securitisation.

Since the CP provides sub-Libor funding, Mr Boyle says it is much cheaper than securitising mortgages for which TMC has paid 18 to 37.5 basis points over Libor in the past.

"We have never turned down a deal irrespective of the maturity for any reason other than price," he says, "we have great flexibility over issuance and can go in maturities from a week to a year."

● Meyer International, the building materials and timber distributor, has rearranged its syndicated loan facilities to reduce its overall facility. The company has agreed to reduce its medium-term loan from £120m to £95m for which it will continue to pay 30 basis points over Libor. In addition, Meyer has agreed a three-year term for its revolving credit facility which will be scaled down to £45m from £60m. The interest margin is 37.5 basis points over Libor.

Deborah Hargreaves

ECU BOND MARKETS

A favourite child within the financial community . . .

AMID THE political manoeuvring that surrounded the opening of the Inter-Governmental Conference (IGC) in Rome last month, a rather special anniversary went unnoticed. The European currency unit was 12 years old, having been born, or at least first sighted, in a European Commission memorandum dated December 18 1978.

The outcome of the IGC may not be known until the second half of 1991, but whatever the political leaders decide, the financial community has shown itself to be an influential friend of the fledgling common currency.

The Ecu took its first faltering steps towards common usage in 1981, when the first Ecu-denominated bonds were issued. Today there are $60bn-worth of fixed-rate Ecu bonds outstanding in the international bond market – making it the fifth ranking currency by value of outstanding bonds in the market.

Last year, Ecu14bn ($17.5bn) of bonds were issued, making it the fourth most popular currency among international investors, behind dollars, sterling and yen. For the first time, last year more Ecu bonds were launched into the international market than bonds denominated in D-Marks.

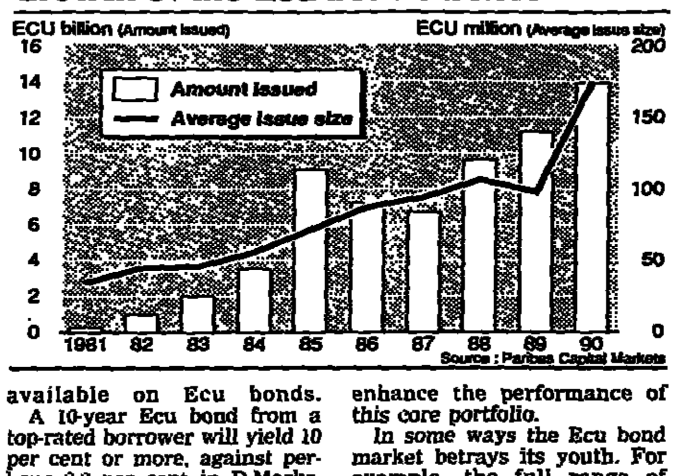
According to many observers, Ecu bond issuance is set to mushroom over the next five years. A recent survey of financial institutions suggested that 1991 could see $18.4bn of new Ecu-denominated bonds, rising to $30.5bn in 1993 and $61.1bn in 1995. Given a favourable political environment, some analysts say that even these figures may under-estimate the eventual outcome.

Moreover, the Ecu is not only popular within Europe. Investors from every part of the world have warmed to Ecu paper.

It is estimated that about Ecu6bn, 10 per cent of outstanding Ecu bonds, is held by Japanese investors. For example, all the top eight Japanese insurance companies now hold between 2 per cent and 5 per cent of their assets in Ecu. Together, the big eight hold Ecu3.1bn of paper – a figure which is steadily rising.

International investors have been attracted by the combination of relatively high yields and low currency risk available on Ecu bonds.

Growth of the Ecu bond market



Source: Paribas Capital Markets

A 10-year Ecu bond from a top-rated borrower will yield 10 per cent or more, against perhaps 8.8 per cent in D-Marks. Yet the German currency makes up more than 30 per cent of the Ecu basket and in the past four years the Ecu has depreciated very little against the D-Mark.

Japanese institutions are increasingly using Ecu bonds as the core of their European investments.

Other markets, such as that of the French franc, are used to enhance the performance of this core portfolio.

In some ways the Ecu bond market betrays its youth. For example, the full range of hedging instruments, with which sophisticated investors manage portfolio risk, are not yet available.

But even this "financial infrastructure" is emerging. The Matif, the French financial futures exchange, launched the first Ecu bond futures contract last month. The London International Financial Futures Exchange (Liffe) will launch a competitive product in March.

Banque Paribas recently launched an index of liquid Ecu bond issues which portfolio managers will use to measure the performance of the market. This may also be used as the basis for index warrants and other products.

Last year was particularly satisfying for the Ecu bond market's supporters. For with a sharp overall rise in volume, big and liquid benchmark bonds have been issued for the first time.

Issues of more than Ecu1bn from the European Investment Bank, Italy and France have provided liquidity in a market that previously comprised mostly smaller, less heavily traded issues. These benchmark deals have attracted Ecu investment institutions restricted to buying only the best quality, most liquid deals.

The economic benefits of borrowing in Ecu are clear for sovereign governments and supranational organisations. As a composite basket of other European currencies, Ecu borrowings offer a built-in hedge against currency risk.

However, the political benefits are also substantial for governments encouraging full monetary union. The first UK government bond denominated in Ecu, expected in the current quarter, will be used as an attempt to demonstrate the issuer's European credentials.

For companies, the economic benefits of issuing Ecu bonds depend on being able to swap the proceeds of the issue into a useful operating currency. For despite the volume of Ecu debt outstanding, the currency does not yet have legal tender status within the European Community.

When the currency and interest rate swaps are available, UK companies such as Abbey National, British Telecom, British Gas, Heron and Maxwell Communication Corporation have been able to achieve floating rate sterling funding well below the London interbank offered rate.

However, the opportunity to swap out of Ecu is dependent on finding a counterparty equally willing to swap into Ecu. In the past, swap opportunities have centred on the activities of sovereign governments. For example, an Italian government's Ecu750m five-year domestic bond issue last May opened the way for Ecu735m of swap-driven deals by other borrowers.

National treasuries, such as Denmark's, have also increased their exposure to the Ecu by simply swapping holdings of other currencies into Ecu rather than issuing Ecu bonds. They have been willing counterparties for companies looking to swap the other way.

However, swaps come and swaps go. Last year, swap opportunities were few, and the number of Ecu bond issues by companies fell as a direct result. Only 33 per cent of Ecu bonds were issued by companies in 1990, against 48 per cent in 1989 and 44 per cent in 1988.

According to the friends of the Ecu, this is nothing more than a temporary hitch. Swap opportunities will return, they say, and companies are keen to establish their name in the Ecu market. They cite a recent London conference on Ecu bonds which was attended by representatives of companies including Kingfisher, Beazer, BAT Industries and British Petroleum.

Simon London

. . . whose growth is in danger of attracting too many brokers

INTERNATIONAL banks are rushing to enter the European currency unit bond market, the fastest-growing sector of the international bond market.

Many Ecu bond trading operations are being set up this year, and the proliferation of dealers threatens to overcrowd the market and is bound to squeeze profit margins.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	0.0	0.0	566.5	4,547.6
Prev	903.5	0.0	13.5	5,093.5
Other	788.0	0.0	0.0	4,052.0
Prev	1,594.2	0.8	582.3	5,725.2
Secondary Market				
US$	14,527.3	429.5	6,260.2	4,874.3
Prev	16,913.5	678.1	3,881.2	6,371.7
Other	14,893.7	519.9	2,314.4	23,943.7
Prev	21,417.5	740.7	2,933.8	30,568.0

	Cedel	Euroclear	Total
US$	14,862.9	16,342.5	31,205.4
Prev	10,718.9	23,136.1	33,855.0
Other	22,225.1	24,286.6	46,511.7
Prev	26,712.2	36,850.3	63,562.5

Week to January 3,1991 Source: AIBD

Although the growth of the Ecu market is expected to accelerate, it will not be sufficient to satisfy the hordes of institutions now entering the business.

The development of a liquid, actively-traded market in sovereign and supranational agency paper has attracted a growing band of institutional investors. Some view the Ecu sector of the Eurobond market as an alternative to conventional government bonds. New investors are generating some fresh business, but the pace of the industry's expansion is outstripping the growth of the market.

"The Ecu bond market is set to become over-broked. The signs are all there, and we have seen them all before," says one banker.

This rush for business appears surprising in times of recession, considering the widespread awareness that profitability will be hard to achieve. But the Ecu bond market has become, in the words of one banker, "a market we cannot afford not to be in".

Until recently, the market was dominated by a small group of committed dealers, most notably the French bank Paribas. The number of reporting dealers registered with the the Association of International Bond Dealers has already grown to 25.

Among Japanese banks and securities houses, Fuji International and Yamaichi International plan to become reporting dealers this year. Nikko (Europe) started making a market in Ecu Eurobonds last week, while Nomura became a market maker in the autumn. Many Japanese houses are likely to focus on Japanese institutional placement.

Other firms are also looking for niches where they can offer a specialised service. Hambros Bank, the UK investment bank, which dominates the Australian dollar bond market, started making a market in Ecu bonds for clients in December. It does not plan to take on institutional business, but will focus on its large retail client base. "We are getting into the Ecu bond market because retail clients were asking for that service," explains Mr Géraud de Nadaillac, syndicate director at Hambros Bank.

Westpac Banking Corporation, which also specialises in the Australian dollar sector, is seeking an Ecu Eurobond trader. Its strategy is to build a presence gradually, first trading about 60 issues with retail clients to test the market.

Among UK firms, Baring Brothers, the merchant bank, pulled out of the market at the start of 1990, but is rejoining the sector this year. Its effort will be research and sales-led. The firm already has two Ecu bond traders and is looking to take on research staff.

Barclays de Zoete Wedd already makes a market for clients and is about to become an AIBD reporting dealer. Midland Montagu took on a trader last month and expects to become a marketmaker later in the year.

The strategy of new players is likely to be less aggressive than in the past. Banks have learned at least some of the dangers of over-competitive markets, and the industry is under such financial pressure that firms cannot afford to buy market share.

In practice, some dealers suggest that for many newcomers, reporting dealer status will be nominal. "To gain a foothold in the market at this stage requires a sizeable commitment of resources which most banks are not prepared to make," says one banker. Many dealers suggest the market will continue to be dominated by half a dozen players, with perhaps a few other houses finding profitable niches.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Flash Ltd Series P(a)♦	17.5	1993	2½	(a)	(a)	Sanwa Int	-
1999 Star Fin.NV(b)♦	340	2001	10	(b)	100	Daiwa Europe	-
1999 Star Cap.NV(b)	50	2001	10	(b)	100	Daiwa Europe	-
AUSTRALIAN DOLLARS							
Barclays Aus.Int.Fin.♦	75	1994	4	13	101.95	Barclays de Zoe.Wedd	12.353
Credit Lyonnais Aus.♦	75	1994	4	13	101.70	Hambros Bk	12.435
LUXEMBOURG FRANCS							
Banco di Roma London★★♦	600	1994	3	10⅛	102	BGL	9.501
Credito Romagnolo Lux.★★♦	300	1994	4	10⅛	101.9	Banque UCL	9.532
Delfined BV★★♦	800	1996	6	10	101⅝	BIL	9.631
GIB Brussels★★♦	750	1996	6	10	102	Credit Europeen	9.547
Banque Pallas♦	500	1996	6	10⅛	101.60	Soc.Gen.Alsacienne	9.760

♦Final terms ★★Private placement. a)3-tranche issue: (A)$5m, coupon 6-month Libor + 0.35%, issue price 100.10%. (B)$5m, 3-month Libor + 0.35%, 100.10%. (C)$7.5m, 8%, 101½%. Non-callable. b)Mortgage-backed step-up issue. Coupon pays 7½% for first 6 years, then 7¾% thereafter. Non-callable. Note: Yields are calculated on an AIBD basis.

THE WEEK AHEAD

ECONOMICS

Gulf and thin markets inhibit trading activity

NEW YEAR lassitude and Gulf anxiety is likely to inhibit activity on the international financial markets this week.

Economists say that the lack of data releases at the beginning of the month combined with the prospect of thin markets stretching into January will make for quiet trading on the equity and bond markets. Currencies though could be busy as the build-up to the January 15 deadline in the Gulf approaches.

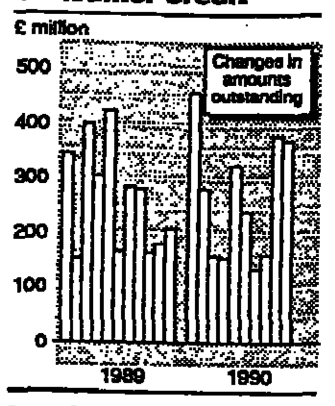
Sterling is expected to stregthen further in the near-term after the UK government's reiteration of commitments not to devalue. The dollar could regain traces of its safe-haven status as the possibility of war mounts.

In the UK, the results of the government's other economic pledge – not to reduce interest rates until core inflation is reduced – will be visible in the final retail sales figures and credit business figures for November.

The last two months credit business data have revealed large increases in outstanding consumer credit, of £368m in October, and £377m in September, causing some speculation that demand pressures are still strong.

In Germany, statistics due for release during the week will provide fresh clues as to how much the economy may be overheating due to the extra demand unleashed in eastern Germany as a result of unification. The data include the trade balance for November, which the median market forecast compiled by MMS International, the financial research company, puts at DM8bn.

Consumer credit



Other important economic statistics due during the next few days are as follows. The figures in brackets are the median market projections from MMS.

● Today. UK: November final retail sales (down 0.5 per cent); November credit business. Australia: October manufacturing output price index.

● Tuesday. US: Retailers' financial report for third quarter of 1990; November consumer credit (1.5 per cent). Canada: October leading indicators. Germany: December unemployment for western Germany (down 15,000).

● Wednesday. Australia: November current account (A$1.2bn deficit, seasonally adjusted). Canada: November new vehicle sales.

● Thursday. US: November wholesale figures; monetary supply data for final week in December. Canada: December housing starts index (135,000); November new housing price index and department store sales.

● Friday. US: December producer prices index (down 0.1 per cent); November housing completions. Canada: December unemployment rate (9.3 per cent) and employment trend (down 0.2 per cent).

Also during the week Germany is due to announce its November retail sales, and Japan its December trade balance.

Rachel Johnson and Peter Marsh

UK COMPANIES

Dixons, the electrical retailer, will probably do little to lift the depression embracing the retailing sector when it announces its interim results on Wednesday.

Analysts are expecting pre-tax profits to fall by about 18 per cent to £23m. What profits there are will derive from the group's financial services activities, interest receipts, and property development. The group's retailing activities in the UK are unlikely to contribute much although their performance will be anxiously scrutinised for their implications for other retailers of electrical goods.

Food retailing has generally proved more resistant to recession, but Asda, the Leeds-based grocery chain, looks set to unveil a weak set of interim results on Wednesday. The group is still grappling to get to grips with 60 stores it bought from Gateway.

Overall, pre-tax profits may be down from £83.5m to around £60m although the company's followers expect a strong pick-up in the second half.

The TSB Group becomes the first big clearing bank to report in the new year next Thursday, and its results will reflect the sharp impact of the recession on bad debts. Sir Nicholas Goodison, the chairman, warned before Christmas that the recession could be worse than 1980.

But the TSB's results should also gain from the vigorous attack on costs which is now in full swing. Analysts are forecasting profits of at least double last year's exceptionally poor £155m.

While the marketing campaign for the flotation of the electricity generators, National Power and PowerGen, gets underway next week, the 12 regional companies which were floated before Christmas will also be surfacing again. Most of them are due to announce their results for the six months to end-September.

Like British Gas, the Recs make the bulk of their profits during the winter so it will come as no surprise to find that some or most of them were making a loss during the summer months. They are not paying interim dividends.

The announcements will, however, provide a chance to get more detail on what happens during the summer than was available while the companies were privatised.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Diploma, Great Eastern Hotel, Liverpool Street, E.C., 11.00
BOARD MEETINGS-
Finals:
Barr (AG)
Murray Intl. Trust
Interims:
Carclo Engineering

■ TOMORROW
COMPANY MEETINGS:
Bibby (J.), Offices of Brown Shipley, Founders Court, Lothbury, E.C., 12.00
BOARD MEETINGS-
Finals:
M & W
Treatt
Interims:
Bucknall Austin
East Midlands Electricity
Goode Durrant
Jurys Hotel
Reliance Security

■ WEDNESDAY JANUARY 9
COMPANY MEETINGS:
Fenner, Royal York Hotel, Station Road, York, 12.30
BOARD MEETINGS-
Finals:
Alexanders Hldgs.
M. & G. Dual Trust
Southern Business
Interims:
ASDA
Banks (Sidney C.)
Bespak
Dixons
Northern Electricity
Southern Electricity
South Wales Electricity

■ THURSDAY JANUARY 10
COMPANY MEETINGS:
Pegasus, 7 Birchin Lane, E.C., 2.30
Royal Bank of Scotland, Caledonian Hotel, Edinburgh, 12.00
Young (H.) Hldgs., 25/28 Old Burlington Street, W., 12.00
BOARD MEETINGS-
Finals:
Babcock Prebon
Daily Mail & General Trust
Dewhurst
PWS Hldgs.
TSB
Torex Hire
Interims:
Abbey
Beaverco
Eastern Electricity
Manweb
Midlands Electricity
Pepe
Savills
Seeboard
SelecTV

■ FRIDAY JANUARY 11
COMPANY MEETINGS:
Ashley Group, Ldn Hilton, Park Lane, W., 12.00
Save & Prosper Linked Inv. Trust, 1 Finsbury Avenue, E.C., 3.00
BOARD MEETINGS-
Finals:
Daily Mail & General Trust
RMT
Interims:
Markheath Securities

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
ACT 1.25p
Abbey National Fltg. Rate Nts. 1993 £387.27
Amersham Intl. 3.7p
Birmingham Mint 2.5p
Burmah Castrol 8.5p
Centex Corp. 10cts.
Central & Sheerwood 0.1p
Clydesdale Inv. Tst. 2.45p
Ensign Tst. 1p
Ferrum Hldgs. 1p
GMAC, Australia (Finance) 15¼% Nts. 5/1/94 7.625pc.
Guaranteed Export Finance 9¾% Gtd. Ln. Stk. 2010 4.875pc.
Guardian Royal Exchange 4.4p
House of Fraser 8% Mtg. Deb. Stk. 86/91 4pc.
Low (Wm.) 5.25p
M. & G. Fund of Inv. Tst. 4p
MMT Computing 2p
Mid-Sussex Water 4.9% Max Addl. Stk. 2.45p
Morgan Crucible 7.5% Cnv. Prf. 3.75p
Murray Smaller Mkts. Tst. 1.2p
Queens Moat Houses 7% Cnv. Prf. 3.5p
River & Mercantile Tst. 1.6p
Scottish Metropolitan Property 4.22p
Staveley Inds. 2.3p
Tiger Oats 41cts.
Unigate 5.7p
Warner Howard 1.75p

■ TOMORROW
Bailey (Ben) Construction 1.4p
Clayton, Son 2.5p
Havelock Europa 1.5p
Heath (C.E.) 7.5p
Inter-American Development Bank 12½% Ln. Stk. 2003 6.25pc.
Stocklake Hldgs. 9p

■ WEDNESDAY JANUARY 9
Bradford & Bingley Building Society Fltg. Rate Nts. 1998 £349.73
Friendly Hotels 2p
Henderson Administration 10p

■ THURSDAY JANUARY 10
Apollo Metals 8% Cnv. Prf. 4p
Bibby (J.) 6.25p
Great Portland Estates 3.4p
Morris (Philip) 43cts.
Treasury 11¾% Stk. 1991 5.875pc.
Wardle Storeys 11p
Westbury 3.25p

■ FRIDAY JANUARY 11
Barlow Rand 119cts.
British Airways 2.8p
Castings 1.2p
Cropper (James) 0.975p
Leigh Interests 2.4p
Lep 2p
Macdonald Martin Dists. A Ord. 2p
Do. B Ord. 1p
Marine Midland Fin NV Gtd. Fltg. Rate Sub. Nts. 1994 $21.04
Parkland Textile 1.5p
Do. A NV 1.5p
Powerscreen Intl. 1.6p
Reed Intl. 5p
Sainsbury (J.) 2.1p
Schlumberger 30cts.
TR Property Inv. Tst. 0.6p
Wellman 0.8p
Yale & Valor 3.9p

■ SATURDAY JANUARY 12
Conversion 9½% Ln. 2001 4.75pc.
Do. 9% Ln. 2011 4.5pc.
Treasury 10% Cnv. Stk. 5pc.

APPOINTMENTS

Senior posts at M&G

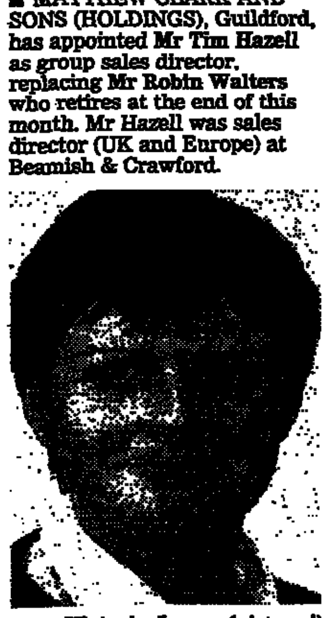
■ Mr David Morgan *(pictured)* will be appointed an additional director of M&G GROUP on January 16. Mr Morgan, who has been an investment manager with the group since 1972, will also be appointed managing director of M&G Investment Management. Mr Tony Shearer, group finance director, will be appointed managing director of M&G Securities. Mr Paddy Linaker, group managing director, remains chairman of both these subsidiaries.

■ LONDON ARAB INVESTMENT BANK has appointed Mr Costi F. Chehlaoui as chairman and chief executive officer. He was executive vice president of Gulf Bank International, working in New York, Bahrain, and London. Mr J.R.H. James, general manager, has retired.

■ MARLING INDUSTRIES has appointed Mr Edward Greenbury as a non-executive director. He was managing partner in Hacker Young.

■ Mr Michael Wells has been ... and chief executive of YAMAICHI BANK (U.K.), following the retirement of Mr Peter Bulfield who continues as a non-executive deputy chairman.

■ MATTHEW CLARK AND SONS (HOLDINGS), Guildford, has appointed Mr Tim Hazell as group sales director, replacing Mr Robin Walters who retires at the end of this month. Mr Hazell was sales director (UK and Europe) at Beamish & Crawford.



Miss Victoria Logue *(pictured)* has been appointed finance director of GALLAHER TOBACCO (UK). She is the first woman director on the board. Miss Logue, who joined the company in 1986, was general manager.

■ Mr Alan Hancock has been appointed chief executive of SUNLEIGH, a leisure products group which includes PowaKaddy and Sporting Choice. He was president of worldwide operations for Wilkinson Sword, and succeeds Mr Bill Wood who has retired.

■ BOOKER has named Mr James Nelson as president of Arbor Acres Farm, its US-based chicken breeding subsidiary. Formerly senior vice president for international ... Mr Lowell Hoskins, Booker main board director and a 17-year veteran of Arbor Acres, who died on December 30. Mr Bruce Parker becomes Arbor Acres' executive vice president.

■ CALEDONIA INVESTMENTS has apppointed Mr Jonathan Cartwright as a director. He is company secretary.

■ Ms Jennifer Ryan has been appointed managing director of Western Ice, cold storage and and temperature controlled transport subsidiary of TRANSPORT DEVELOPMENT GROUP. She was with UB (Ross Young's) where she was distribution director.

LITTLE TIKES, based in Hudson, Ohio, has appointed Mr Seamus Bateson *(pictured)* as managing director, European sales and marketing. He was export and European area director, Tonka.

■ SUN ALLIANCE GROUP has appointed Mr Graeme E. Gilchrist to the board. He is deputy chairman and managing director of The Union Discount Company of London. Mr Gilchrist also joins the boards of principal subsidiary Sun Alliance and ...

CONSTRUCTION CONTRACTS

Greenford offices scheme

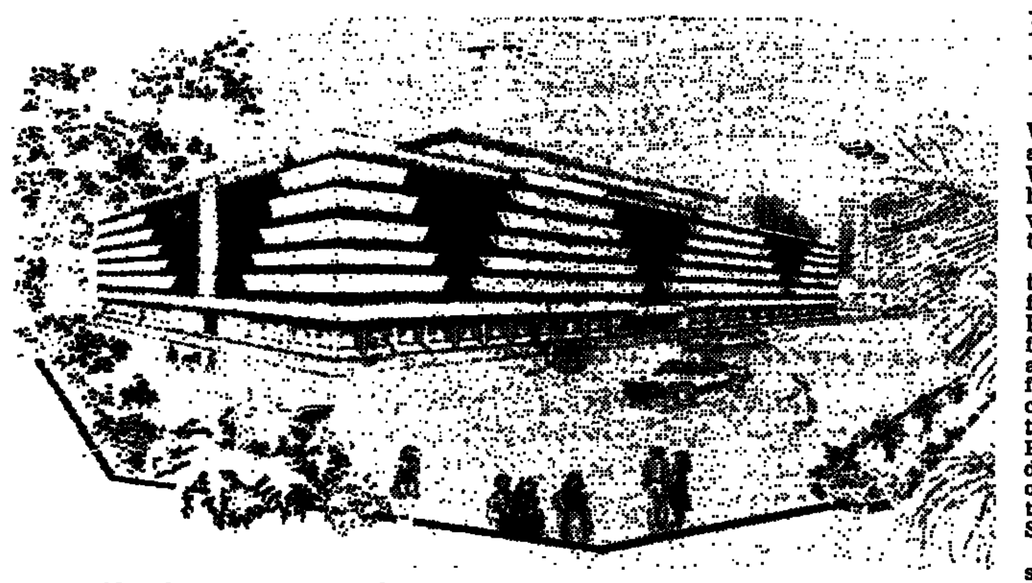
JOHN LELLIOTT (CONTRACTS), the part of John Lelliott Group which recently completed the £6m refurbishment of Glaxo Holdings' corporate headquarters in London, has been awarded a second contract by the international pharmaceutical group.

The latest contract is a £13.5m project at Glaxo's complex in Greenford, Middlesex involving the construction of a three-storey atrium block linking two buildings and the refurbishment of 100,000 sq ft of office and computer space.

In addition a two-storey car park will be built on the site to provide 350 additional parking spaces.

Work is due to start in January 1991 for completion in August 1991.

Building apartments in Abu Dhabi



Abu Dhabi-based AL WIMPEY ROADS AND CONSTRUCTION has won a £6.5m contract to build an apartment block *(pictured)* for His Excellency Sheikh Tahnoon BinSaeed Al Nahiyan. The building is in a prime location on the Abu Dhabi sea front on a plot measuring 80 by 30 metres. Ground level car parking is provided under the the superstructure, which comprises six floors of three and four bedroom apartments topped by a health club including swimming pool, jacuzzi, sauna, squash court and gymnasium. The project is scheduled for completion in March 1992.

Exhibition projects in Seville

TRAFALGAR HOUSE CONSTRUCTION MANAGEMENT, a member of the construction division of Trafalgar House, has won its third contract for Expo '92 in Seville.

Following the award of the £14m management contract for the construction of the tubular steel and glass UK pavilion, the Department of Trade and Industry has awarded THCM a £6m contract to fit out the interior.

In November, Britain was the first of over 100 international participants to start above-ground construction of its pavilion which the company believes will become a technological feature covering some 6,000 sq metres of the exhibition's site.

THCM has also been appointed as project manager, under a contract valued at £3m, by Multi Development Corporation, the main contractor for the design and construction of the Dutch pavilion.

Housing European Community staff

Workers from a Tarmac company have been given the job of putting a roof over the heads of European officials in Brussels.

It is one of three roofing contracts, worth about £7m, awarded to ALBITUM - the Belgian roofing contractor - which is part of Tarmac industrial products division's European waterproofing group.

In Brussels work has started on building what is believed to be the largest office building currently under construction in Belgium for the Council of the European Communities.

The building will house an underground car park, printing shop, conference facilities, secretariat and translation services.

Albitum's contract, valued at £3.2m, includes 40,000 sq metres of roofing, insulation and the provision of a helicopter landing pad.

Work starts early next year and is due for completion in 1993.

At Genk the company has a £2.8m contract for 80,000 sq metres of roofing and 28,000 sq metres of wall cladding on extensions to a Ford plant.

£23m orders for Willmott Dixon Group

WILLMOTT DIXON has been awarded contracts worth £23m. Wilmott Dixon Design & Build has started on three projects with a combined value of more than £8m.

They are a £5.2m contract for the design and construction of five office blocks at Beaufort Business Park in Stroud, Kent for East Mercia Developments; a £1.25m contract from Sims for the design and construction of a two-storey office headquarters at the Priory Business Park in Bedford; and a £1.8m design and build contract for offices and workshops at Potters Bar on behalf of Venta Services Potters Bar.

Wilmott Dixon Housing has started work on three contracts, two for local authorities and one for a housing association. They include a £2m contract for 38 houses and flats for the Metropolitan Housing Association at Daubeney Fields, Haringey N17 and a £1.5m contract to build 31 houses for Spelthorne Borough Council in Ashford.

Wilmott Dixon Anglia has received two projects from local authorities. A contract, worth £5.4m, involves extensions, alterations and refurbishments at Hinchingbrooke School, Huntingdon for Cambridgeshire County Council. The other, worth £1.25m, is for the modernisation of 89 council houses in Norwich.

★ ★ ★

New contracts valued at £3.31m have been won by the construction division of EVE GROUP.

Heading the list is a £1.04m contract for an east London traffic control centre for the Metropolitan Police at Naval Row, E14. The contract is expected to take one year to complete.

Eve is also constructing an exhibition centre and laboratories for Imperial College at Exhibition Road in London in a 22-week project.

WORLD STOCK MARKETS

AUSTRIA

1990-91 High	Low	January 4	Price Sch
5,430	2,100	Austrian Airlines	2,610
7,300	3,000	Creditanstalt	3,050
29,590	16,550	Erste Allgemeine	19,000
19,600	7,500	Jungbunzlauer	7,750
4,450	660	Laenderbank	1,370
14,230	8,000	OeMV	8,550
2,380	1,330	Perlmooser	1,330
1,400	670	Radex	674
3,400	1,460	Reininghaus	1,640
250	115	Steyr-Daimler	169
1,510	595	Veitscher Mag	616
770	425	Verbund (Br) A	482
7,580	4,100	Wienerberger	4,750

BELGIUM/LUXEMBOURG

1990-91 High	Low	January 4	Price Frs.
5,370	2,230	ACEC-Union Min	2,405
5,750	2,900	Arbed	2,955
3,520	2,370	B.B.L	2,370
15,700	13,000	Bank Intl. a Lux	13,000
15,000	12,750	Banque Gen Du Lux	12,750
2,470	1,094	Barco	1,108
16,650	7,350	Bekaert	7,350
9,900	5,550	Ciment CBR	5,720
5,990	4,630	Cobepa	4,810
6,030	4,630	Do. AFV 1	4,810
214	132	Cockerill	135
2,970	1,860	Colruyt	2,575
6,920	5,000	Delhaize	5,720
4,560	3,755	Electrabel	4,250
4,490	3,670	Do. AFV 1	4,200
7,490	5,900	Electrafina	6,120

INDICES

NEW YORK

DOW JONES	Jan. 4	Jan. 3	Jan. 2	Dec. 31	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2566.09	2573.51	2610.64	2633.66	2999.75 (16/7/90)	2365.10 (11/10/90)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.94	92.01	91.63	91.57	93.04 (3/1/90)	88.44 (24/9/90)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	909.11	909.48	909.30	910.23	1212.77 (6/6/90)	821.93 (17/10/90)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	207.94	207.81	208.50	209.70	236.23 (2/1/90)	190.96 (24/8/90)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2601.98 (2622.28) Low 2540.84 (2567.57)

STANDARD AND POOR'S	Jan. 4	Jan. 3	Jan. 2	Dec. 31	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	321.00	321.91	326.45	330.22	368.95 (16/7/90)	295.46 (11/10/90)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	375.97	377.18	383.02	387.42	437.37 (16/7/90)	346.86 (11/10/90)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	22.88	22.84	23.09	23.43	31.87 (3/1/90)	18.80 (29/10/90)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	175.95	176.41	178.62	180.49	201.13 (16/7/90)	162.20 (11/10/90)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	303.05	304.78	306.57	308.11	382.45 (5/1/90)	288.07 (30/10/90)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	367.24	367.51	372.19	373.84	469.60 (16/7/90)	325.44 (16/10/90)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec. 28	Dec. 21	Dec. 14	year ago (approx.)
Dow Industrial Div Yield	3.92	3.92	3.97	3.87

	Jan. 2	Dec 28	Dec. 19	year ago (approx.)
S & P Industrial div. yield	3.35	3.31	3.32	2.86
S & P Indl. P/E ratio	15.76	15.92	15.88	15.19

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Phillip Morris	1,970,200	49⅞	- ⅛
Bristol MY	1,879,000	63⅝	- ¾
Gen Electric	1,690,600	54⅝	- ⅝
Gen Motors	1,519,500	33	- 1
Coca Cola	1,440,300	45⅛	+ 1⅛
Limited Inc.	1,349,100	18⅞	—
Pepsico	1,310,200	24⅞	- ⅛
USX Corp	1,309,200	28⅛	- ⅞
Abbott Lab	1,306,600	40⅞	- ⅞
Citicorp	1,279,600	13⅞	+ ½

TRADING ACTIVITY

† Volume Millions	Jan. 4	Jan. 3	Jan. 2
New York	140.820	141.450	126.280
Amex	8.319	8.222	8.384
NASDAQ	(u)	108.392	92.022
Issues Traded	1,972	2,004	2,002
Rises	781	586	712
Falls	683	941	869
Unchanged	508	477	421
New Highs	7	11	31
New Lows	21	17	13

CANADA

TORONTO	Jan. 4	Jan. 3	Jan. 2	Dec. 31	1990-91 HIGH	1990-91 LOW
Metals & Minerals	2677.34	2682.61	2742.67	2739.70	3453.05 (4/1/90)	2486.60 (8/11/90)
Composite	3216.59	3221.73	3239.36	3256.75	4009.47 (3/1/90)	3009.91 (16/10/90)
MONTREAL Portfolio	1707.69	1707.69	1718.28	1726.13	2060.90 (3/1/90)	1607.24 (16/10/90)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday January 4

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	7.5	458	+11	Marubeni	2.2	691	+31
C. Itoh	3.6	697	+52	NKK	2.1	404	+2
Mitsubishi Heavy	3.2	685	+17	Sanyo Electric	1.9	567	-31
Sumitomo Electric	2.7	1,430	+40	Mitsui & Co.	1.9	792	+24
Showa Denko	2.4	515	+25	Mitsui Shipbuilding	1.7	548	+23

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	39.29	39.65	42.18	6.50	40000
Gilts & Fixed Int	6	110.4	110.4xd	117.2	9.81	40001
High Inc Equity	6	114.8	118.2xd	125.7	5.05	40002
Worldwide Bond	6	192.3	192.3	203.8	7.36	40003
Capital Growth						
American Growth	6	146.9	146.9xd	157.1	1.22	40004
Asian Pacific	6	95.00	95.00	101.6	0.20	40005
Assets & Earnings	6	143.6	143.6	153.5	3.53	40006
Capital Reserve Acc	0	100.5	100.5	100.5	7.10	40007
Capital Reserve Inc	0	84.33	84.33	84.44	7.21	47580
Comdty & Energy	6	70.45	70.45	75.34	1.31	40008
1992 Enterprise	6	54.08	54.08	57.83	3.68	46597
Euro Capital Acc	6	80.858	80.88	86.50	1.38	40805
Euro Capital Inc	6	77.66	77.66	83.05	1.38	47581
General	6	148.10	148.1	158.3	3.16	40010
Japan	6	81.30	81.30	86.95	0.00	40011
Mastertrust	6	74.99	74.99	80.20	3.20	40012
UK Growth Acc	6	132.0	132.0	141.1	3.12	40013
UK Growth Dist	6	85.39	85.39	91.32	3.12	40014
US Emerging Cos	6	42.24	42.24	45.17	0.00	40015
Income & Growth	6	260.6	260.6	278.7	3.68	40016
Ethical	6	40.78	40.78	43.61	2.29	40017
International	6	50.18	50.18	53.66	0.93	46252
Dividend & Growth	6	40.51	41.64xd	44.21	5.08	47871
Global Gwth & Sec	6	47.61	47.95	51.01	1.96	48065
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	23.84	23.84	25.28	3.16	40019
Cash	—	50.44	50.44xd	50.44	13.83	43696
European	5¼	64.65	64.65	68.70	0.00	40025
European Income	5¼	68.15	68.71xd	72.48	1.69	41377
Exempt	1	661.1	663.1xd	683.3	3.40	41379
Exempt Income	3¼	151.9	151.9xd	162.1	5.23	41052
Exempt American	3¼	278.3	278.3	289.5	1.98	41054
Exempt Pacific	3¼	180.7	190.7xd	188.4	2.06	41056

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
European	5¼	47.89	47.89	50.95	1.34	40912
Japanese Growth	5¼	30.79	30.79	32.76	0.00	47786
Managed P'folio	5¼	41.55	41.55	44.20	1.71	47787
High Income	5¼	131.7	131.7	140.1	7.18	40906
High Yielding Gilt	5¼	61.17	61.17	64.44	10.20	40907
Marks & Spencer Unit Trust Ltd (1200)F						
PO Box 410 Chester CH99 9QG 0244 680066						
M & S Inv P'folio	5½	95.72	95.72xd	102.3	2.93	46695
Do Accum	5½	101.2	101.2xd	108.2	2.93	46696
UK Sel P'folio	5½	84.87	84.87xd	90.77	3.86	47804
Do Accum	5½	88.71	88.71xd	94.87	3.86	47805
Marlborough Managed Trust (1630)F						
57 Victoria Square, Bolton, BL1 1LA 0204 364842						
Managed Tst	5	46.62	47.00	50.00	5.20	46889
Martin Currie Unit Trusts Ltd (0905)H						
48 Melville St. Edinburgh EH3 7HF Dlgs 031-220 4924						
Far East (Pacific)	5¼	75.52	75.52	80.16	0.53	41357
Income & Growth	5¼	51.38	51.38	54.54	5.89	41358
European (z)	5¼	48.22	48.22	51.18	1.15	41359
Nth American (z)	5¼	29.29	29.29	31.09	1.69	41360
Intl Growth(4-1)	5¼	49.43	50.52	53.63	0.94	41361
UK Growth	5¼	45.87	45.87	48.69	3.55	41362
Intl Income	5¼	40.78	41.28xd	43.82	7.41	46966
High Yield	5¼	39.49	40.03xd	42.49	8.66	46965
Charities	5¼	79.36	80.48	85.43	7.16	46963
Japan	5¼	32.70	32.70	34.71	—	47589
Matheson Unit Trust Managers Ltd (1200)H						
Admin 5 Rayleigh Rd Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
UK Growth (4-1)	6	57.93	57.93	61.96	3.99	46355
UK High Income	6	30.35	30.35	32.46	6.22	46356
7 West Nile St, Glasgow G2 2PX 0345 090 933						
Acumen	5	56.57	57.02	60.86	3.99	46327
Acumen Reserve	5	61.07	61.07	64.11	11.29	46328
American Income	5	97.49	97.49	103.2	3.88	41056
Equity Income	5	71.75	71.75xd	76.59	6.58	41057
European	5	46.99	46.99	50.06	1.65	41058
Far Eastern	5	84.92	84.92	90.26	2.02	41059
Smaller Cos	5	37.53	38.18	40.75	5.94	41060
Olympiad	5¼	36.52	36.52	38.91	1.58	41061
Olympiad Income	5¼	35.30	35.30	37.63	5.12	41062
UK Growth	5	59.40	60.19	64.25	2.22	41063
NFU Mutual Unit Mngrs Ltd (1400)F						
Admin 5 Rayleigh Road, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
Avon Equity	6	77.46	78.98xd	84.02	4.50	41071
NM Unit Trust Mngrs (1200)H						
The Bilton Centre, North Harbour, Portsmouth						
Enquiries 0705 372222 Dealing 0705 387730						
American ♥	5¼	24.66	24.66xd	26.30	1.94	41072
(Accum Units) ♥	5¼	26.39	26.39	28.14	1.94	41073
Australian ♥	5¼	131.70	132.60	142.20	2.52	41074
(Accum Units) ♥	5¼	150.00	150.90	161.90	2.52	41075
Conscience	5¼	42.15	43.05xd	45.94	1.70	41076
(Accum Units)	5¼	44.22	45.16	48.19	1.70	41077
European	5¼	126.40	127.80	136.30	1.14	41078
(Accum Units)	5¼	133.40	134.90	143.80	1.14	41079
Extra Income	5¼	56.81	57.76	61.64	9.91	41080
(Accum Units)	5¼	76.16	77.43	82.63	9.91	41081
Far East Gth Acc ♥	5¼	90.80	92.24	98.59	0.32	41082
Gilt & F I	5¼	51.31	51.31	54.31	9.22	41083
(Accum Units)	5¼	104.40	104.40	110.40	9.22	41084

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; ( ) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; ( ) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
TSB Unit Trusts (1200)H						
Charlton Pl, Andover, Hants. SP10 1RE				0264 346794		
TSB American	6	103 14	103 84	110 46	0 79	41457
Do Accum	6	112 74	113 51	120.75	0 79	41458
TSB Brit Growth	6	63 3	64.27	68.37	3 96	41459
Do Accum	6	69 99	71.06	75 59	3 96	41460
TSB European	6	63 56	63 56	67 61	1 33	41461
Do Accum	6	65 87	65 87	70 07	1 33	41462
TSB Extra Income	6	138 17	141 44	150 46	6 13	41463
Do Accum	6	195 42	200 04	212.8	6 13	41464
TSB Smaller Cos	6	37 57	39 34	41 85	3 32	41465
Do Accum	6	39 39	41.25	43 88	3 32	41466
TSB General	6	194 32	196 0	208 5	4 29	41467
Do Accum	6	356 24	359 31	382 24	4 29	41468
TSB Premier Income	5	41 62	41 93	43 67	9.72	41469
Do Accum	5	73 19	73 73	76 8	9 72	41470
TSB Income	6	255 24	260 6	277 23	6 02	41471
Do Accum	6	474 49	484 45	515 37	6 02	41472
TSB Pacific	6	185 9	189 37	201 45	0.55	41473
Do Accum	6	193 42	197 04	209 61	0.55	41474
TSB International	6	318 98	318 98	339 34	1 7	41475
Do Accum	6	409 15	409 15	435 26	1 7	41476
TSB Nat Resources	6	53 99	55 2	58 72	1 48	41477
Do Accum	6	58 57	59 88	63 7	1.48	41478
TSB Shield Opps	6	67 55	69.25	73 66	3.95	41479
Do Accum	6	80 62	82.64	87 91	3 95	41480
Environmental Inv	6	39 63	39 97	42 52	2.66	46849
Do Accum	6	40 54	40 89	43 49	2 66	46850
TSB Selector	6	41 25	42 04	44 72	4 74	47660
Do Accum	6	42.5	43 32	46 08	4.74	47661
TSB High Income	6	43 89	44 66	47.51	6 63	44558
Do Accum	6	45 19	45 99	48 92	6 63	44559
TSB Intl Income	6	47 15	47.33	50 35	7 05	44560
Do Accum	6	47.15	47 33	50 35	7.05	44561
TSB Selector Income	6	44 55	45 13	48 0	6 88	44562
Do Accum	6	44 55	45 13	48 0	6 88	44563
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks						
Admin: 0296 394000			Dealing: 0296 312156			
American Eagle	5	59.50	59 50	63 50	2 21	41482
Australia	5	5 013	5.013	5.366	4 97	41483
Equity	5	138 60	138 6	149.0	5 16	41486

	Bid Price	Offer Price	Yield Gross	City-line
M & G Securities Ltd				
Charibond	98.1	98 1	11.01	40883
(Accum Units)	520.3	520 3	11.01	40884
NAACIF Dec 31	–	39 8	10 24	46917
MIM Ltd				
Exempt Funds				
Intl Mngd P'Folio	962.0	1039 0	–	46964
Mngd Pens (Acc)	57 6	61 4	–	41007
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Dec 31	111 1	119 2	3 22	46925
UK Small Co † Dec 31	423 2	464 8	2.29	46926
Fixed Interest † Dec 31	100.7	105 9	8.35	46920
US Small Co Dec 31	105 7	113 1	0 00	46927
Managed Dec 31	95 36	101 4	2 59	46924
Intl Bond Dec 31	106 9	112 7	8 08	47790
Japan Dec 31	60 68	64 88	1.05	47877
European Dec 31	76 74	82 15	1.78	47876
Nth American Dec 31	80 55	86.44	1 60	47878
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Jan 3	40 1	41 7	2 42	41064
Euro Expt Jan 3	45 5	47 7	2.69	41065
Fixed Int Ex Jan 3	43 7	44 8	11.45	46994
Japan Expt Jan 3	37.8	39 4	0 72	41066
Managed Ex Jan 3	38 4	39.9	5.07	41067
SE Asia Expt Jan 3	54 8	57 5	7.04	41068
Sm Cos Expt Jan 3	27.5	28 8	5 90	41069
UK Eqty Ex Jan 3	35 9	37 6	4 64	41070
Phillips & Drew Fund Management Ltd				
Small Co's Jan 1	589.63	631 9	5 97	41138
Do Accum	662.4	709 8	5.97	41139
Int Expt Jan 2	144 60	146 20	3 0	41140
UK Index Jan 2	990 8	1012	5 76	46945
Do Accum	1059	1080	5 76	46946
Convertible Dec 28	80.58	83 26	9.2	46938
Worldex UK Index Jan 2	647 10	655.7	2.97	47887
Do Accum	653 46	662 15	2.97	47888
Japan Index Jan 2	509 8	517 30	0 57	47881
Do Accum	510.8	518.2	0.57	47882

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	Yield Gross	City-line
Life Managed Fd	89 9	94 6	–	41924
Pension Managed Fd.	86 0	90 5	–	41926
Life Deposit Fd.	103 4	108 9	–	41923
Pension Deposit Fd	107 0	112.6	–	41925

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Managed Cautionary	97 4	102.6	–	47150
Managed Growth	117 8	124.1	–	47151
Managed Opportunity	113 8	119 8	–	47152
NFMC Target Financial	86 4	91	–	47153
Pension Funds				
Managed Cautionary	105.6	111 2	–	47154
Managed Growth	125 4	132	–	47155
Managed Opportunity	117 5	123 7	–	47156
NFMC Target Mngd Pen	1320 3	1389 8	–	47157

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	Yield Gross	City-line
Harvester Pension Funds				
Managed	141 5	149 0	–	43141
UK Equity	147.3	155.1	–	43135
Overseas Equity	112 2	118 2	–	43136
Fixed Interest	133 6	140.7	–	43137
Property	126.8	133.5	–	43138
Index Linked	143.1	150 7	–	43139
Deposit	148.3	156.2	–	43140
With Profits (B)	124 5	131.1	–	44128

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	Yield Gross	City-line
Managed	306 3	322.5	–	43163
UK Equity	383 7	403 9	–	43164
Overseas Eq.	286 1	301.2	–	43165
Americas	214 9	226 3	–	43166
Far East	291 6	307 0	–	43167
Property	193 3	203.5	–	43168
Fixed Int.	243 6	256 5	–	43169
Indexed Gilt	149.8	157 7	–	43170
Deposit	174 7	183 9	–	43171
Pension Fund (Accum Units)				
Managed	425.8	448.3	–	43173
UK Equity	492 1	518.1	–	43175
Overseas Eq.	469 0	493 7	–	43177
Americas	280.9	295.7	–	43179
Far East	490.8	516 7	–	43181
Property	240.8	253 5	–	43183
Fixed Int.	298.3	314 1	–	43185
Indexed Gilt	165 0	173.7	–	43187
Deposit	241.3	254.1	–	43189
NPI Pensions Management Ltd				
Managed Fund	948.3	965 2	–	43190

Prices Dec 31 Next dealing Feb 1

Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 686787

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	Yield Gross	City-line
Initial Equity	137 5	145.5	–	42995
Accum Equity	194 0	204 5	–	43005
Accum Managed	198 0	209 0	–	43006
Accum Five Star	148 5	157 0	–	43011
Accum World	106 5	113 0	–	43013
Accum Lifetime	100 6	100 6	–	47139
Pens Acc Equity	202 5	213 5	–	43025
Pens Acc Managed	234 0	247 0	–	43026
Pens Acc Intl.	166 0	175.5	–	43027
Pens Acc Deposit	189 0	199 5	–	43029
Pens Acc Five Star	156 5	166.0	–	43031

Providence Capital Life Assc. Co Ltd
2 Bartley Way Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	Yield Gross	City-line
UK Equity Acc.	196 3	207 1	–	43411
UK Fixed Int Acc	165 2	174 3	–	43412
Intl Equities Acc	147 7	155 9	–	43413
UK Managed Acc	155 2	163 7	–	43414
Property Acc	223 7	236 0	–	43415
Money Acc.	124 4	131 3	–	43416
Special Market Acc.	119 3	125 9	–	43417
Japan Equity Acc	87 2	92 0	–	46760
North American Acc.	82.1	86 7	–	43419
Pacific Acc	73.2	77 3	–	43420
Technology Acc	92 3	97 4	–	43421
Nat Resources Acc	53 0	56.0	–	43422
European Acc.	89 3	94 3	–	43424
Residential Prop Acc	95 9	101 2	–	43425
Swiss Equities Acc	30 6	32 3	–	43426
Hong Kong Acc.	46.2	48 8	–	43427
UK High Inc Eq Acc	63 4	66 9	–	43428
Int Fixed Interest Acc	53 3	56 3	–	46406
Int Managed Acc	49 8	52 5	–	46407
HIP Managed Acc	98 9	104 3	–	46751
HIP Managed II Acc	87 1	91 8	–	41929
Total Investment Bond				

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	Yield Gross	City-line
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2,609	2,636	–	45559
New Generation Fd $	$19.89	20.10	–	45560
Japan Index Alpha	Y7,992	8,111	–	46350
Jap Sector Rotation	Y6,673	6,771	–	47334
Jap Cap Grth CB	[illegible]	[illegible]	–	–
Prudential Intl Financial Services Ltd				
Holborn Currency Fund				
Managed Sterling	130.3	130.7	10.75	45637
Managed Dollar	$14.29	14.33	7.57	45638
Sterling Deposit	100.0	100.0	10.37	45639
Dollar Deposit	$10.00	10.00	–	45640
DM Deposit	DM50.66	50.85	6.17	45641
SWFr Deposit	SFr50.00	50.00	–	45642
J Yen Deposit	Y5,055	5,075	5.29	45643
Saudi International (Guernsey) Ltd				
Intl Bond	$10.33	10.51	–	46774
Intl Dollar	$10.30	10.31	–	46775
Intl Equity	$10.54	10.90	–	46776
Falcon High Income	$89.37	89.37	–	44741
Sovereign Asset Management Limited				
Olympic Options Ltd	£9.1497	9.4346	–	40411
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$11.47	11.531	–	46492
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$745.31		–	45903
Fixed Income Shares	$868.19		–	45904
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth	$10.18		–	46000
Yamaichi ISS Fund	$7.15		–	46591
Yamaichi CB Plus Fund	$7.85		–	47335
Thai Inv Fund	$9.00		–	46493

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St. Helier, Jersey 0534 76029						
Stlg Fixed Int	5½	£1.125	1.125	1.194	9.98	45259
Offshore High Yield	3½	£1.435	1.435	1.494	14.58	45249
Global Equity Fund	5½	$13.08	13.16	14.08	1.12	45260
European Equity	5½	[illegible]	15.81	16.91	1.54	45258
UK Growth (CI Fund)	5½	£4.060	4.060	4.342	3.74	45264
Nth American Eqty	5½	$8.552	8.552	9.116	0.72	45250
Far Eastern Eqty	5½	$8.624	8.624	9.224	1.54	45252
Intnl. Bond Fund						
Sterling Managed	5½	£9.813	9.813	10.461	8.80	45265
US Dollar Managed	5½	$13.22	13.22	14.11	6.59	45266
International Currency Fund						
Sterling Managed	5½	£24.78	24.78	26.22	–	45267
US Dollar Managed	5½	$29.02	29.02	30.71	–	45268
Sterling	0	£23.83	23.83	23.83	13.58	45269
US Dollar	0	$37.22	37.22	37.22	6.94	45270
Deutschmark	0	[illegible]	58.31	58.31	7.71	45271
Japanese Yen	0	Y4,739	4,739	4,739	6.93	45272
Swiss Franc	0	[illegible]	45.55	45.55	7.20	45273
Irish Punts	0	[illegible]	21.59	21.59	7.60	40652
INVESCO MIM International Limited						
PO Box 271, St Helier, Jersey 0534 73114						
Jersey Gilt (z)	5¼	[illegible]	0.1664	0.1755	9.40	45431
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 27561						
Lloyds Tst. Gilt	2½	[illegible]	9.154	9.394	11.92	45390
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37788						
Intl Circuit Portfolio	6	86.24	86.24	91.46	0.00	41027
Gilt	3	89.68	89.68	92.46	12.46	45446
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 76077						
Govt Secs Fd	4	54.72	54.72	57.16	11.37	45734
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 73494						

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

	Bid Price	Offer Price	Yield Gross	City-line
World Capital Gwth Fd-SICAV (p)				
World Cap Gwth Fd	$11.55	12.17	0.82	45997
Inv Adv Warburg Asset Mngt London				
Yamaichi Advanced Technology Fd				
Advanced Tech	$20.83		–	46002
Yamaichi 1992 OMNI Fund SICAV (p)				
NAV	$10.74	10.79	–	47653

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	Yield Gross	City-line
Gaia Currency Funds				
Gaia Hedge I	$119.08	119.37	–	46269
Gaia Hedge II	$254.38	257.49	–	46270
Gaia Hedge III	$76.96	78.85	–	45240
Gaia Gtd Crrncy	$80.25	–	–	45241
Gartmore Investment Ltd				
Gartmore Fund Managers International Ltd				
Capital Strategy Portfolio				
Income Portfolio	1.00		11.98	46320
Growth Portfolio	£1.13		3.00	46321
Balanced Portfolio	1.00		2.18	46322
Genesis Fund Managers Ltd				
Chile Fund Dec 14	$–	13.46	–	47861
Emerging Mkts Dec 31	$–	12.47	–	47430
Malaysia Maju Dec 31	$–	8.60	–	41567
German Selection Associates N.V.				
NAV Dec 3	DM1679.62		–	47431

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

War fears dominate

THIS is clearly not the time to think about taking out positions on the currency market. The build up of trading has been slow after the holiday period, and it would be unrealistic in the extreme to believe that any lasting trend can be established before a peaceful settlement of the Gulf crisis, or an all out war, now that we are within nine days of the United Nations deadline.

UK clearing bank base lending rate 14 per cent from October 8, 1990

If attempts at a peaceful settlement come to nothing the financial market will grow increasingly nervous as the deadline for Iraqi withdrawal from Kuwait approaches. Subsequent events will then decide the direction of the markets, and it is impossible to speculate on the consequences of any conflict.

What can be said with some certainty is that demand for the dollar increases at times of rising world tension. Any outbreak of hostilities would almost certainly send the dollar higher. This reflects the fact that the US mainland is not under threat of physical attack, the country is to a large extent self sufficient and is also an oil producer. A more difficult prediction involves the impact on the dollar from a peaceful solution to the crisis.

Initially the currency is likely to fall, as the market concentrates on the weak US economy, but after a steady decline throughout the second half of last year the point may be getting near where the dollar will find a floor. During 1990 it fell 17.4 per cent against the Swiss franc; 16.5 per cent against sterling; 11.6 per cent against the D-Mark; and 5.6 per cent against the yen.

Some months ago a cut in US bank prime rates, a very weak National Association of Purchasing Managers index, a record fall in factory orders and rising unemployment, would have hit the the dollar hard, but last week there was little reaction to this news.

£ IN NEW YORK

Jan.4	Close	Previous Close
£ Spot	1.9345-1.9355	1.9460-1.9470
1 month	1.09-1.08pm	1.10-1.08pm
3 months	2.98-2.96pm	3.05-3.02pm
12 months	9.33-9.26pm	9.44-9.34pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.4	Previous
8.30 am	94.2	93.8
9.00 am	94.2	93.8
10.00 am	94.1	93.9
11.00 am	94.1	94.0
Noon	94.1	94.1
1.00 pm	94.1	94.1
2.00 pm	94.1	94.0
3.00 pm	94.2	94.1
4.00 pm	94.2	94.1

CURRENCY RATES

Jan 4	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.734249	0.704451
U.S Dollar	7	1.42995	1.37262
Canadian $	12.82	1.64845	1.58058
Austrian Sch	6½	15.0016	14.3878
Belgian Franc	10¼	44.0818	42.1807
Danish Krone	9½	8.21220	7.87474
D-Mark	6.00	2.13320	2.04699
Dutch Guilder	7.25	2.41061	2.30834
French Franc	10¼	7.26701	6.95097
Italian Lira	12½	1607.86	1540.08
Japanese Yen	6	N/A	182.902
Norway Krone	8	8.35949	8.01543
Spanish Peseta	-	135.082	129.782
Swedish Krona	11	8.00772	7.68395
Swiss Franc	6.00	1.80817	1.73156
Greek Drach	20½	N/A	215.131
Irish Punt	-	N/A	0.765930

† European Commission Calculations.
* All SDR rates are for Jan.3

CURRENCY MOVEMENTS

Jan 4	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.2	-18.4
U S Dollar	61.2	-18.3
Canadian Dollar	102.6	+0.6
Austrian Schilling	110.5	+12.5
Belgian Franc	112.4	-1.5
Danish Krone	111.0	+5.3
D-Mark	120.7	+26.4
Swiss Franc	115.6	+24.0
Dutch Guilder	115.5	+17.1
French Franc	105.0	-11.7
Lira	100.1	-19.2
Yen	130.1	+65.4

Morgan Guaranty changes average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Jan.3.

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9335	1.9227	1.9037	1.8798	1.8400

IMM-STERLING $s per £

	Close	High	Low	Prev.
Mar	1.9116	1.9280	1.9066	1.9256
Jun	1.8864	1.9010	1.8820	1.9004
Sep	1.8648	1.8670	1.8620	1.8788

OTHER CURRENCIES

Jan 4	£	$
Argentina	11319.5 - 11342.0	5840.00 - 5860.00
Australia	2.4865 - 2.4885	1.2830 - 1.2840
Brazil	335.770 - 336.915	173.200 - 173.700
Finland	7.0040 - 7.0270	3.6200 - 3.6230
Greece	303.300 - 308.150	156.820 - 158.310
Hong Kong	15.0925 - 15.1065	7.7940 - 7.7960
Iran	124.80*	63.50*
Korea(Sth)	1382.90 - 1405.20	713.20 - 718.80
Kuwait	N/A	N/A
Luxembourg	59.90 - 60.00	30.95 - 31.05
Malaysia	5.2415 - 5.2500	2.7060 - 2.7080
Mexico	5717.00 - 5732.00	2950.00 - 2960.00
N.Zealand	3.2750 - 3.2800	1.6905 - 1.6935
Saudi Ar	7.2770 - 7.3185	3.7490 - 3.7510
Singapore	3.3800 - 3.3880	1.7420 - 1.7440
S.Af (Cm)	4.9245 - 4.9370	2.5470 - 2.5500
S.Af (Fn)	6.5235 - 6.6350	3.3670 - 3.4245
Taiwan	52.50 - 52.60	27.10 - 27.15
U.A.E.	7.1275 - 7.1680	3.6720 - 3.6740

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Jan 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9315 - 1.9515	1.9330 - 1.9340	1.09-1.07cpm	6.70	3.00-2.97pm	6.18
Canada	2.2245 - 2.2450	2.2245 - 2.2255	0.57-0.50cpm	2.89	1.50-1.36pm	2.57
Netherlands	3.2775 - 3.2900	3.2800 - 3.2900	1½-1¼cpm	4.57	3¼-3⅛pm	3.96
Belgium	59.70 - 60.25	59.90 - 60.00	23-17cpm	4.00	58-51pm	3.64
Denmark	11.1765 - 11.2165	11.1900 - 11.2000	3¾-3¼orepm	3.82	9¾-8½pm	3.19
Ireland	1.0870 - 1.0975	1.0900 - 1.0910	0.36-0.30cpm	3.63	0.80-0.66pm	2.68
Germany	2.9075 - 2.9165	2.9100 - 2.9150	1¼-1⅛pfpm	4.89	3½-2⅞pm	4.12
Portugal	259.00 - 260.95	259.00 - 260.00	117-87cpm	4.72	129-57pm	1.43
Spain	183.90 - 185.05	184.40 - 184.70	2-10cdis	-0.39	25-37dis	-0.67
Italy	2183.00 - 2192.00	2188.75 - 2189.75	4-2lirepm	1.64	9-7pm	1.46
Norway	11.3725 - 11.4075	11.3825 - 11.3925	2⅝-2⅛orepm	2.50	5¾-5¼pm	1.91
France	9.8725 - 9.8990	9.8750 - 9.8850	3⅜-3⅛cpm	3.95	8⅝-8pm	3.31
Sweden	10.8925 - 10.9285	10.8950 - 10.9050	par-¼oredis	-0.07	1⅛-1⅝dis	-0.50
Japan	259.40 - 261.20	260.75 - 261.75	1⅜-1¼ypm	6.03	3⅞-3½pm	5.36
Austria	20.42 - 20.54	20.42 - 20.46	8¼-7grepm	4.48	22½-19pm	4.05
Switzerland	2.4595 - 2.4715	2.4600 - 2.4700	1¼-1⅛cpm	5.78	3-2⅞pm	4.67
Ecu	1.4115 - 1.4165	1.4150 - 1.4160	0.47-0.43cpm	3.81	1.16-1.10pm	3.19

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.40-5.35cpm. 12 Month 9.40-9.30cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9315 - 1.9515	1.9330 - 1.9340	1.09-1.07cpm	6.70	3.00-2.97pm	6.18
Ireland†	1.7765 - 1.7915	1.7775 - 1.7785	0.52-0.47cpm	3.34	1.65-1.55pm	3.60
Canada	1.1500 - 1.1535	1.1515 - 1.1525	0.36-0.38cdis	-3.85	1.03-1.08dis	-3.66
Netherlands	1.6790 - 1.7000	1.6980 - 1.6990	0.28-0.31cdis	-2.08	0.87-0.91dis	-2.10
Belgium	30.65 - 31.05	30.95 - 31.05	6.00-7.50cdis	-2.61	17.00-22.00dis	-2.52
Denmark	5.7300 - 5.7925	5.7875 - 5.7925	1.30-1.50oredis	-2.90	4.10-4.70dis	-3.04
Germany	1.4875 - 1.5075	1.5055 - 1.5065	0.21-0.23pfdis	-1.75	0.74-0.77dis	-2.01
Portugal	133.45 - 134.40	134.15 - 134.25	15-30cdis	-2.01	140-175dis	-4.69
Spain	94.40 - 95.50	95.40 - 95.50	53-58cdis	-6.98	148-159dis	-6.43
Italy	1120.00 - 1132.50	1132.00 - 1132.50	4.50-5.00liredis	-5.03	12.80-13.80dis	-4.70
Norway	5.8275 - 5.8925	5.8875 - 5.8925	1.90-2.15oredis	-4.13	6.00-6.40dis	-4.21
France	5.0560 - 5.1145	5.1075 - 5.1125	1.12-1.17cdis	-2.69	3.55-3.65dis	-2.82
Sweden	5.5915 - 5.6410	5.6350 - 5.6400	3.07-3.22oredis	-6.69	9.33-9.68dis	-6.74
Japan	132.95 - 135.15	135.05 - 135.15	0.08-0.09ydis	-0.75	0.23-0.26dis	-0.73
Austria	10.4775 - 10.5950	10.5875 - 10.5925	1.60-2.15grodis	-2.12	4.80-6.45dis	-2.12
Switzerland	1.2595 - 1.2760	1.2750 - 1.2760	0.15-0.19cdis	-1.60	0.43-0.50dis	-1.46
Ecu	1.3670 - 1.3820	1.3675 - 1.3685	0.35-0.33cpm	2.98	1.10-1.04dis	-3.13

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

EXCHANGE CROSS RATES

Jan.4	£	$	DM	Yen	F Fr	S Fr	H Fl	Lira	C $	B Fr
£	1	1.933	2.912	261.2	9.880	2.465	3.285	2189	2.225	59.95
$	0.517	1	1.506	135.1	5.111	1.275	1.699	1132	1.151	31.01
DM	0.343	0.664	1	89.70	3.393	0.846	1.128	751.7	0.764	20.59
YEN	3.828	7.400	11.15	1000.	37.83	9.437	12.58	8381	8.518	229.5
F Fr	1.012	1.956	2.947	264.4	10	2.495	3.325	2216	2.252	60.68
S Fr	0.406	0.784	1.181	106.0	4.008	1	1.333	888.0	0.903	24.32
H Fl.	0.304	0.588	0.886	79.51	3.008	0.750	1	666.4	0.677	18.25
Lira	0.457	0.883	1.330	119.3	4.513	1.126	1.501	1000	1.016	27.39
C $	0.449	0.869	1.309	117.4	4.440	1.108	1.476	983.8	1	26.94
B Fr.	1.668	3.224	4.857	435.7	16.48	4.112	5.480	3651	3.711	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

MONEY RATES

NEW YORK (4pm)

Prime rate	10	One month	5.93	Three year	7.35
Broker loan rate	9	Two month	6.59	Four year	7.58
Fed.funds	7½	Three month	6.73	Five year	7.66
Fed.funds at intervention	7½	Six month	6.82	Seven year	7.94
		One year	6.81	10-year	8.04
		Two year	7.18	30-year	8.21

Treasury Bills and Bonds

Jan.4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.45-8.55	8.85-9.00	9.00-9.15	9.10-9.25	9.20-9.35	8.50
Paris	10-10⅛	9⅞-10	-	9 15/16-9 13/16		9.25
Zurich	7¾-8⅛	8⅝-8⅞	-	8⅝-8⅞	-	-
Amsterdam	9.30-9.45	9.25-9.40	-	9.35-9.50	-	-
Tokyo	8⅛-8 5/16	-	-	-	-	-
Milan	12⅝-12⅞	13½-13¾	-	13¼-13¾	-	-
Brussels	10.50	9⅞-9 15/16	-	9⅞-10	-	-
Dublin	9¼-9⅞	11-11⅜	11⅛-11⅜	11¼-11½	11¼-11⅞	-

LONDON MONEY RATES

Jan 4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅛	14⅛	14⅛	14	13½	13
Interbank Bid	2	13⅞	13⅞	13⅞	13⅜	12⅞
Sterling CDs	-	-	14⅛	13 15/16	13½	12 13/16
Local Authority Deps.	13¾	13⅞	14 1/16	13 15/16	13 7/16	12⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	14	14	13¾	13	-	-
Company Deposits	-	-	14⅛	13 15/16	13½	12 13/16
Finance House Deposits	-	-	14 1/16	13⅞	13¼	12⅞
Treasury Bills (Buy)	-	-	13 13/16	13 11/16	-	-
Bank Bills (Buy)	-	-	13¾	13⅝	12 15/16	-
Fine Trade Bills (Buy)	-	-	14⅜	14	13 1/16	-
Dollar CDs	-	-	7.45	7.45	7.42	7.43
SDR Linked Dep. Offer	-	-	8⅞	8 13/16	8 11/16	8 11/16
SDR Linked Dep. Bid	-	-	8⅝	8 11/16	8 9/16	8 9/16
ECU Linked Dep. Offer	-	-	10¼	10½	10 7/16	10 5/16
ECU Linked Dep. Bid	-	-	10⅛	10⅜	10 5/16	10 3/16

Treasury Bills (sell): one-month 13 25/32 per cent; three months 13 9/16 per cent; six months 12 13/16 per cent; Bank Bills (sell): one-month 13 11/16 per cent; three months 13 9/16 per cent. Treasury Bills: Average tender rate of discount 13.0782 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1990. Agreed rates for period Jan 26, 1991 to Feb 25 1991 Scheme I 14.54 p.c., Schemes II & III: 15.09 p.c. Reference rate for period Dec 1, 1990 to Dec 31, 1990 Scheme IV&V: 13.843 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from January 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent. three-six months 12 per cent, six-nine months 12 per cent; nine-twelve months 11½ per cent. Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price p	+ or -
170	Nil	-	15pm	8pm	Control Techs. 10p	8pm	
65½	Nil	-	½pm	¼pm	Intl. Bus. Comms	½pm	
5	Nil	-	¼pm	¼pm	Merchant Man. Est. "A"	¼pm	
14	Nil	-	1pm	¼pm	New London 5p	¼pm	-¼pm

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ° Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan 4) 3 months US dollars		6 months US Dollars	
bid 7¼	offer 7⅜	bid 7¼	offer 7⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	Jan.4	Dec.28		Jan.4	Dec.28
Bills on offer	£250m	£250m	Top accepted rate of discount	13.0959%	13.0959%
Total of applications	£1322m	£1365m	Average rate of discount	13.0782%	13.0581%
Total allocated	£250m	£250m	Average yield	13.5190%	13.4975%
Minimum accepted bid	£96.735	£96.735	Amount on offer at next tender	£250m	£250m
Allotment at minimum level	29%	40%	Minimum accepted bid 182 days	£93.905	£93.910

WEEKLY CHANGE IN WORLD INTEREST RATES

	Jan.4	change		Jan.4	change
Band 2 Bills	13¾	Unch'd	FRANKFURT		
Band 3 Bills	-	Unch'd	Lombard	8.50	Unch'd
Band 4 Bills	-	Unch'd	One mth. Interbank	9.025	Unch'd
3 Mth. Treasury Bill	13 11/16	-1/16	Three month	9.175	Unch'd
1 Mth. Bank Bills	13¾	Unch'd	PARIS		
3 Mth. Bank Bills	13⅝	-1/16	Intervention Rate	9¼	Unch'd
TOKYO			One mth. Interbank	9 15/16	[illegible]
One month Bills	-	-	Three month	9⅞	[illegible]
Three month Bills	-	-	MILAN		
BRUSSELS			One month	13⅝	-1 3/16
One month	9 11/16	-3/16	Three month	13½	-1/16
Three month	9 13/16	-1/8	DUBLIN		
AMSTERDAM			One month	11 5/16	-
One month	9.335	-0.20	Three month	11 7/16	-
Three month	9.435	-0.06			

FINANCIAL TIMES STOCK INDICES

	Jan 4	Jan 3	Jan 2	Dec 31	Dec 28	Dec 27	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs.	82.96	82.91	82.17	82.03	82.11	82.20	84.20	74.13	127.4	49.18
Fixed Interest	90.91	90.81	90.59	90.62	90.62	90.69	92.91	83.80	105.4	50.53
Ordinary	1659.5	1648.5	1655.7	1673.7	1685.2	1687.8	1968.3	1510.4	2008.6	49.4
Gold Mines	157.8	155.5	156.7	154.6	150.0	149.9	378.5	136.2	734.7	43.5
FT-Act All Share	1023.21	1019.78	1025.13	1032.25	1038.43	1041.26	1226.83	962.09	1238.57	61.92
FT-SE 100	2126.1	2117.8	2128.3	2143.5	2160.4	2167.8	2463.7	1990.2	2463.7	986.9
FT-SE Eurotrack 100	947.24♣	937.41	931.10	938.05♣	937.25	946.51	1003.35	931.10	1003.35	931.10

♣-Indicative

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Citibank Savings
St Martins Hse, Hammersmith Grove W6 081-741 4941

Clydesdale Bank PLC
30 St Vincent Place, Glasgow G1 2HL 041 248 7070

Western Trust High Interest Cheque Acc
The Moneycentre, Plymouth PL1 1SE 0752 224141

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485

NOTES—Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR. Gross equivalent to basic rate taxpayers—compounded annual rate. Int. Cr frequency interest credited

CHICAGO

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,441.9	ABN Amro Fl5	[illegible]		8.7	4.9	Aug May	1567
1,241.8	ANZ SA1	128	-3.8	11.5	28.12	Jan Jul	1698
2,986.8	Abbey National 10p	228	-1.3	3.3	6.8	Apr Oct	5411
871.2	Allied Irish Ord	154	-6.3	6.7	19.11	Dec July	1354
34.2	Anglo Irish	57		7.3	10.12	Jan July	1355
112.0	Ansbacher (H.) 1p	60		5.6	12.3	April	1624
779.0	Bancaire Cie Fr100	£45½	3.6	2.9	9.5	May Mar	2202
3,123.5	Banco Bilbao Viz.	£12¾	-1.0	6.2	9.12	Dec June	–
2,527.4	Banco de Santander	£23¾	-4.7	4.2	31.10	Apr Oct	–
482.4	Bank Ireland Ir£1	144	-6.5	9.1	19.11	July Dec	1360
134.4	Bank Leumi	£19½		–	–	–	1740
25.0	Bank Leumi (U.K.)	350		5.7	6.8	Mar Sep	1740
877.8	Bank Scotland	115½	-2.1	5.3	8.10	Dec Jul	1742
98.0	Do. 9¼ pc Irrd Pf	98	2.1	12.6	22.10	May Nov	1462
13.4	Bank of Wales	42		8.9	8.10	Nov Jun	1743
5,649.7	Barclays £1	356	-1.9	7.3	20.8	Oct May	1754
5.36	Benchmark 20p	10	-9.1	10.0	9.4	May Oct	1802
32.7	Brown Shipley £1	285		‡	10.12	Jan Aug	1983
92.4	Cater Allen £1	390	0.3	8.4	19.11	Jan. Aug	2081
9.18	Chancery	44		‡	25.6	Jan July	2102
394.5	Commerzbk DM10	£15½	-3.1	4.0	27.5	May	1046
21,019.6	Dai Ichi KBk Y50	750		0.5	4.7	June	3221
6,600.8	Deutsche Bk DM50	£206⅝	-0.5	2.3	17.5	May	2345
176.4	Espirito Santo	£16½	-1.5	2.3	–	June	5187
287.0	First Nat. Fin. 10p	178	-1.1	10.2	9.7	Mar Aug	2571
41.7	FNFC 6.3pc Cv. Pf	86xd	-7.5	9.8	31.12	July	2570
14,276.4	Fuji Bank Y50	939	1.1	0.4	4.7	Dec June	1084
122.6	Gerrard & National	315		8.0	22.10	June Dec.	2686
47.3	Guinness Mahon 10p	73	-5.2	2.6	10.12	July Feb	5074
395.2	Hambros 20p	233	-1.3	6.6	10.12	Jan Sep	2812
150.0	Do. 7.5pc Cv Pf	100		10.0	10.9	Apr Oct	4388
1,959.3	HK & Shang. HK$2.50	301½	-3.2	8.4	14.9	October	–
19.8	Joseph (Leo) £1	378		5.6	10.12	Jan Sept	3060
19.8	King & Shaxson 20p	129		10.9	19.11	Dec June	3088
335.7	Kleinwort Benson Grp	272	-2.2	7.8	20.8	May Oct	3102
5,460.4	Kyowa Bank Y50	400	2.0	0.7	29.6	Mar Jun Sept	3049
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

For Fisher (J.) see Albert Fisher

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

هكذا من الأصل

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST – Contd

[illegible]

INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

Teas

[illegible]

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

[illegible]

MINES – Contd

Tins

Miscellaneous

[illegible]

175.0	RTZ 10p ... α	423	-6.2	5.8	24.9	Dec Jul	3880
–	Thorco Res. Inc.	6	-7.7	–	–	–	–
5.35	Vizcaya Hldgs 5p ... γ	10	......	–	–	–	4193
12.4	Young Group 10p ... γ	133	1.5	7.8	10.9	Apr Oct	5080

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ♣ Not comparable
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 ... γ	700	......
Finlay Pkg. 5p ... γ	38	......
Holt (Jos) 25p ... γ	1305	......

IRISH

Cap. 8½% Ln. 1991	£98¼	......
9pc Cap Ln. 1996	£93¼	0.3
Fin. 13% 97/02	£109¼	-0.5
Arnotts	155	-3.1
Carrol (P.J.)	154	......
Helton Hldgs. ... γ	43	7.5
IRG	119	......
United Drug	136	-2.2

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp	28
BTR	25
Barclays	30
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons.	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	70
Ladbroke	22
Legal & Gen	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk.	16
Nat West Bk.	21
P & O Dfd	44
Racal Elect.	16
RHM	23
Rank Org Ord.	52
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A	41
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	33

Property	
Brit Land	24
Control Secs.	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils	
Aviva Petlm	3½
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm	15
Gaelic Res.	1½
Premier	7
Shell	37
Tuskar Res.	2
Ultramar	29

Mines	
Lonrho	19
RTZ	48

FT Share Service

The following changes have been made to the FT Share Information Service:
Deletions: Anglesey Mining Warrants (Section: Mines-Miscellaneous).
Charterhall (Industrials).
Connell (Property).
Globe Inv. Trust (Investment Trusts).
Scott Paper Co. (Paper, Printing, Advertising).
THORN EMI 7% Cnv. Prf. (Electricals).
Details of Third Market changes appeared on page 16 in last Thursday's FT.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices January 4

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
38⅞	9⅛	AAR	.48	4.4	9	487	11⅛	10⅞	10⅞	– ⅛
9¼	7⅞	ACM	n1.03e	12.		133	8⅞	8¾	8⅞	– ⅛
11⅜	8⅞	ACMIn	1.26	12.		3029	10⅜	10⅝	10¾	+ ⅛
9¼	8½	ACM M	n1.01	13.		262	7⅞	7¾	7⅞	+ ⅛
12⅛	10	ACMMM	1.50	13.		162	12	11⅞	11⅞	
11½	8⅝	ACM Sc	1.26	12.		3333	10⅞	10⅛	10⅜	+ ¼
9⅞	7¼	ACMSp	1.01	12.		510	8¼	8⅝	8⅝	– ⅛
25¼	17	AL Lab	.16		7 19	159	24⅞	23⅞	23⅞	–1⅛
4⅛	1	AM Intl				191	1¼	1¼	1¼	
18⅞	4⅞	AM In pf	2	25.		44	8⅛	7⅞	8⅛	+ ¼
79¼	39¼	AMR			14	3969	47⅝	46⅛	46⅛	–1
26½	25	ANR pf	2.67	10.		1	26¼	26¼	26¼	+ ¼
24⅝	22¼	ANR pf	2.12	9.3		1	22⅜	22⅜	22⅜	
4	1⅛	ARX				76	1½	1⅜	1⅜	– ⅛
72½	38¼	ASA	3	6.7		597	45½	44⅞	44⅞	– ⅜
46⅛	31¼	AbtLab	s.84	2.1	19	13084	41⅛	40¼	40¾	– ⅞
11⅝	4½	AcmeC	.40	7.8	12	19	5⅛	4⅞	5⅛	+ ⅛
32¼	18⅞	Acuson	s		19	3083	24⅛	23½	23⅝	– ¼
16⅞	14⅛	AdaEx	1.72e	12.		220	14⅞	14⅜	14⅞	
14¼	6⅝	Adobe				43	9	8¾	8¾	– ¼
20⅛	16	Adob pf	1.84	11.		35	17¼	17¼	17¼	– ¼
21⅝	19¼	Adob pf	2.40	12.		31	19½	19⅜	19½	+ ⅛
11⅛	3⅞	AMD				1643	5⅛	5	5⅛	
32⅞	13	AMD pf	3	15.		91	19⅜	19⅛	19¾	+ ⅜
7⅛	1⅞	Advest	.16	5.8		221	2⅜	2⅝	2¾	
58⅞	29	AetnLf	2.76	7.6	9	2088	36⅞	36⅛	36½	– ¼
12⅛	6¼	AfilPb	.24	3.0		150	8⅛	8	8	– ⅛
22½	10⅝	Ahmans	.88	6.7	5	2239	13⅜	12¾	13⅛	– ⅛

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35½	15¾	Raycm	.32	1.5		497	21⅞	21½	21⅝	-⅛
22¾	14⅞	RJamF	.32	1.7	6	50	18⅜	18	18⅜	+⅛
26½	15¾	Rayonr	3.60	19	6	43	19¼	18¾	19¼	+¼
2⅞	1⅛	vjRaytc			1	1	1⅛	1⅛	1⅛	+⅛
71¼	57¼	Raythn	2.40	3.6	8	1676	66¼	65⅜	65⅞	-1½
29⅝	21	RdrDg n	.60	2.2	17	1213	28⅛	27⅛	27⅞	-⅛
3¾	1¼	RdgBte				306	2	1⅞	2	+⅛
16	11⅝	REIT	1.42	11.	9	35	12⅝	12⅜	12⅜	-⅛
7½	4⅞	RecnEq				84	5⅛	5	5	
20	8⅛	Reebok	.30	2.5	8	3706	12¼	11⅞	12⅛	+⅛
10¼	1⅝	Reece				66	3⅜	3⅛	3⅛	-⅛
½	11-64	Regal				33	7-32	3-16	3-16	
14⅝	6¾	ReichTg	1.62	18.	5	19	9¼	8⅝	8⅝	-¼
6⅝	4¼	RelGrp	.32	6.9		19	4⅞	4⅝	4⅞	+⅛
30⅞	20⅛	Repsol	n.93e	4.3		663	22	21¼	21⅞	
5	2¼	RepGyp	.19t	7.6		22	2⅝	2½	2½	-⅛
52⅛	37¼	RepNY	1.32	2.7	7	234	48¾	48½	48⅝	-¼
3¾	1¼	Rexene				116	1½	1⅜	1½	+⅛
24½	11½	RayRey	.84	4.9	7	39	17⅛	16⅞	17	
70	48½	ReyMtl	1.80	3.4	7	2284	53¼	52⅛	52½	-1⅛
70½	56¼	RP Rorr n	.84	1.2		474	69½	68	68	-⅞
16¾	6¾	RhP pfA	1.60e	15		81	10½	10½	10½	+⅛
22	9⅛	RhnPl	n1.60e	15		168	10⅞	10¼	10⅞	+⅛
38⅞	29½	RiteAid	.90	2.4	15	1609	37¼	36½	37	+½
15-64	5-128	RvrOak				148	1-16	7-128	1-16	+3-128
18¼	8½	RbtHlf			9	24	9½	9	9	-¼
[illegible]										
16⅞	11	WtGs pf	1.80	14.		1	12⅝	12⅝	12⅝	+⅛
14¼	8⅝	WstGR n				423	10¾	10½	10½	-¼
21⅝	11½	WstMn	.92e	7.8	8	39	11⅞	11¼	11¾	
1½	⅛	WUnion				3109	⅜	11-32	⅜	
19¼	6	WUn pfA				15	9⅞	9¼	9¼	
12¼	1⅞	WUn pfB				149	3⅛	2⅞	3⅛	+⅛
39⅞	24¼	WstgE	s1.40	6.4	8	12135	27	25½	25⅞	-1½
23¼	12½	Wstpc	2.03e	16.		12	12¾	12¾	12¾	
25¾	17	Wstpc pf	2.85g	14.		9	21¼	21	21	
31½	22	Weirco	1.05	4.0	9	1440	26⅝	26	26½	+½
28⅝	17⅞	Weyerh	1.20	5.7	9	2410	21⅛	20½	21	+⅜
41½	30½	WhlTch			34	388	38⅞	38½	38¾	+⅜
		WhlPit wi				37	8	7¼	7⅞	
33½	17½	Whrlpl	1.10	4.8	9	1779	23½	22½	23	+½
28⅜	17	Whtmn	1.06	5.7	86	2547	18⅝	18¼	18⅝	+⅜
12	7½	Whttk n			16	70	10⅜	10⅝	10⅝	-¼
16½	5½	WllcxG	.10	1.4	8	31	7½	7⅜	7⅜	-⅛
40⅝	23⅛	William	1.40	5.3	26	905	26⅝	25⅞	26⅜	-⅛
56¼	40¼	Wilm pf	3.87	9.0		1	43	43	43	-⅛
26⅝	17⅞	WinCor	n.42e	1.7		273	25¼	25¼	25¼	-⅛
7	4	WinbrO	.11t	2.4	77	10	4⅝	4½	4⅝	+⅛
9¼	2½	Windmr				240	2⅝	2½	2⅝	+⅛
38⅝	28⅛	WinDx	s1.08	3.4	17	234	32⅛	31½	32	+⅜
5¾	2⅛	Winnbg				154	2⅜	2⅝	2⅜	+⅜
32½	26⅝	WiscEn	1.76	5.6	11	383	31½	31⅛	31⅜	-⅛
24⅝	19¾	WiscPS	1.68	7.0	12	2130	24	23⅝	23⅞	
39⅞	21¾	Witco	1.72	5.8	22	79	29¾	29½	29¾	+⅛
12¾	6⅛	WolvrW	.16	2.0		68	8¼	8⅛	8½	
36⅝	22⅞	Wolwth	s1.04	3.7	10	5830	28⅛	27⅝	27⅞	-1⅛
15½	2⅞	WrldCp				72	4⅛	4¼	4¼	+⅛
19⅜	12	WrldVl	1.94e	16.		19	12¼	12¼	12¼	+⅛
59¼	43¾	Wrigley	1a	1.9	18	168	52⅛	51½	51¾	+¼
15⅛	8¾	WyleLb	.28	2.2	10	290	12¾	12¼	12½	-¼
24	13¾	Wynns	.60	3.8	10	17	16⅛	15⅞	16	
		– X – Y – Z –								
58⅞	29	Xerox	3	8.3	7	3229	36⅛	35⅝	36⅛	+⅛
32⅞	13	XTRA	.72	4.8		45	15	14¾	15	
25	12½	XTRA pf	1.94	13.		141	16	14⅞	14⅞	+⅛
3⅝	9-16	Zapata				395	15-16	13-16	⅞	-1-16
8¾	3	Zemex				1	3¾	3¾	3¾	-⅛
13⅝	4	ZenithE				1409	7½	6⅝	7⅛	+½
18¾	9⅞	ZenNtl	1	7.2	9	145	13⅞	13⅜	13⅞	+⅜
7½	4⅞	Zenix	.93	20.		86	4⅝	4⅝	4⅝	-⅛
17⅛	9⅞	Zero	.40	3.6	12	131	11¼	11⅛	11⅛	-⅛
51⅛	29⅝	Zurnln	.88	2.7	15	671	33½	33⅛	33⅛	-⅜
12⅝	10⅛	Zweig	1.07e	9.7		x362	11⅛	10⅞	11	+¼
10	7⅞	ZweigTl	.96	11.		1452	8⅞	8½	8⅞	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

4pm prices January 4

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
[illegible]							
UnBnk	1.40	6	11	19	18¾	19	-¼
UAEn A			60	12¼	12	12⅛	+⅛
UAEn B			66	12⅜	12⅛	12⅜	+¼
UBCol			690	23⅛	22¾	22¾	-¼
UChGs	.92	14	25	13½	13	13	
UHltCr	.03e	19	3918	21½	20⅜	21¼	-⅛
US Bc s	1	7	1148	20⅝	20	20½	+⅜
US HltC	.36	23	4478	26⅝	25⅝	25⅞	-⅜
US Trst	1.60	26	x112	30½	30¼	30¼	-¼
USWNV			1646	34¾	34⅛	34⅛	-⅝
UStatn	.40	11	110	8¾	8⅝	8¾	-⅛
UnTelev		63	34	28½	28½	28½	
Unitrin	.40e		896	29¾	29¼	29¼	-¼
UnvHlt		11	198	9¾	9⅜	9½	-¼
UtahMd		27	1562	11⅝	10⅞	10⅞	-½
– V – V –							
VLSI			736	4⅛	4⅝	4⅝	
ValidLg			375	1 5-16	1¼	1 5-16	+1-16
ValyBc	1.12	7	127	18⅛	18	18½	+⅛
ValNtl			3361	11⅛	10½	11⅛	+⅜
Valmnt	.26	8	7	12	12	12	+⅛
ValMer		13	31	11¼	10½	10½	-¼
VgrdCl s			865	22¼	21	22¼	+½
VeloBd		32	272	6½	5¾	6	-¼
Vencor		45	668	16½	16¼	16½	+¼
Vertine			38	9½	9	9¼	-¼
Vicor			67	17	16¾	17	-⅛
Vicorp		13	487	15	14¾	14¾	-¼
Vilung		12	1	11	11	11	-½
Vitalnk		9	770	8⅝	8⅜	8⅜	-⅛
Vivigen		31	55	12¼	11½	12¼	+⅛
Volvo	2.14e	5	4	37⅛	36⅞	36⅞	-⅝
– W – W –							
WD 40	1.72a	13	x44	25	24¼	24¼	-¾
WPP Gp	1.11e	1	602	3	2¾	3	+⅛
Warntc s		30	458	2⅛	1⅞	2⅛	-¼
WashEn	1.36	16	1344	19½	18½	19	-¼
WFSL s	1.04	9	399	25½	25	26	
WMSB	.44		476	12⅜	12	12⅜	+⅛
WMSB pf	3.75		50	35	33¼	35	
Wattsind	.20	16	64	36¾	36	36	-¾
WausP	.75	12	75	41	40½	40½	-½
Weitek		7	226	7½	7	7	-¼
Werner	.12	11	4878	17	16½	16½	-⅛
WstOne	.88	9	164	24	23½	23¾	-¼
WnWst s		23	212	18¾	18½	18½	
WstnPb		14	273	10½	10¼	10½	+¼
Wstmrk		14	473	23¾	22¾	23⅝	+⅞
WmorC	.32a	12	11	20½	20	20½	+¼
Weston		38	54	6⅛	5¾	5¾	
WetwOn			78	2	1⅞	1 15-16	-1-16
WetSeal		10	252	7¾	7½	7¾	
Wettra	.64	13	482	28⅞	28⅝	28¾	
Whlclub		26	468	20⅝	20½	20⅝	+⅛
Wicat		23	1243	3½	3 3-16	3¼	-¼
Willamt	1.60a	6	248	42¼	41¾	41¾	-½
WmSon s		18	534	19½	19¼	19¼	-¼
WilmTr	1.44	10	237	39½	38½	38¾	-¼
WiserO	.40a	27	34	15⅛	14¾	15⅛	
Wolohn	.28b	7	17	13½	13	13	-⅛
WrvExp			1352	3⅝	3⅜	3½	-⅛
WrvEx pf	2.25		100	11¼	10½	11¼	+⅝
Worthg	.60	15	601	21¼	20⅝	20⅝	-½
Wyman	.80		400	6⅜	6⅛	6¼	-⅛
– X – Y – Z –							
XL Dta		5	211	7¼	6¾	6⅞	+⅛
XOMA			1829	19½	18¼	19	+¼
Xilinx			85	13½	13¼	13¼	-¼
YanEnS	1.52	13	10	21¼	20½	21	+½
YelowF	.94	31	2184	27½	26¼	27½	+1⅛
YorkRs		13	910	10¼	9¾	10¼	+½
Zeos		19	250	16¾	16	16½	+¼
ZionBc	1.44	8	15	31½	30½	30½	

AMEX COMPOSITE PRICES

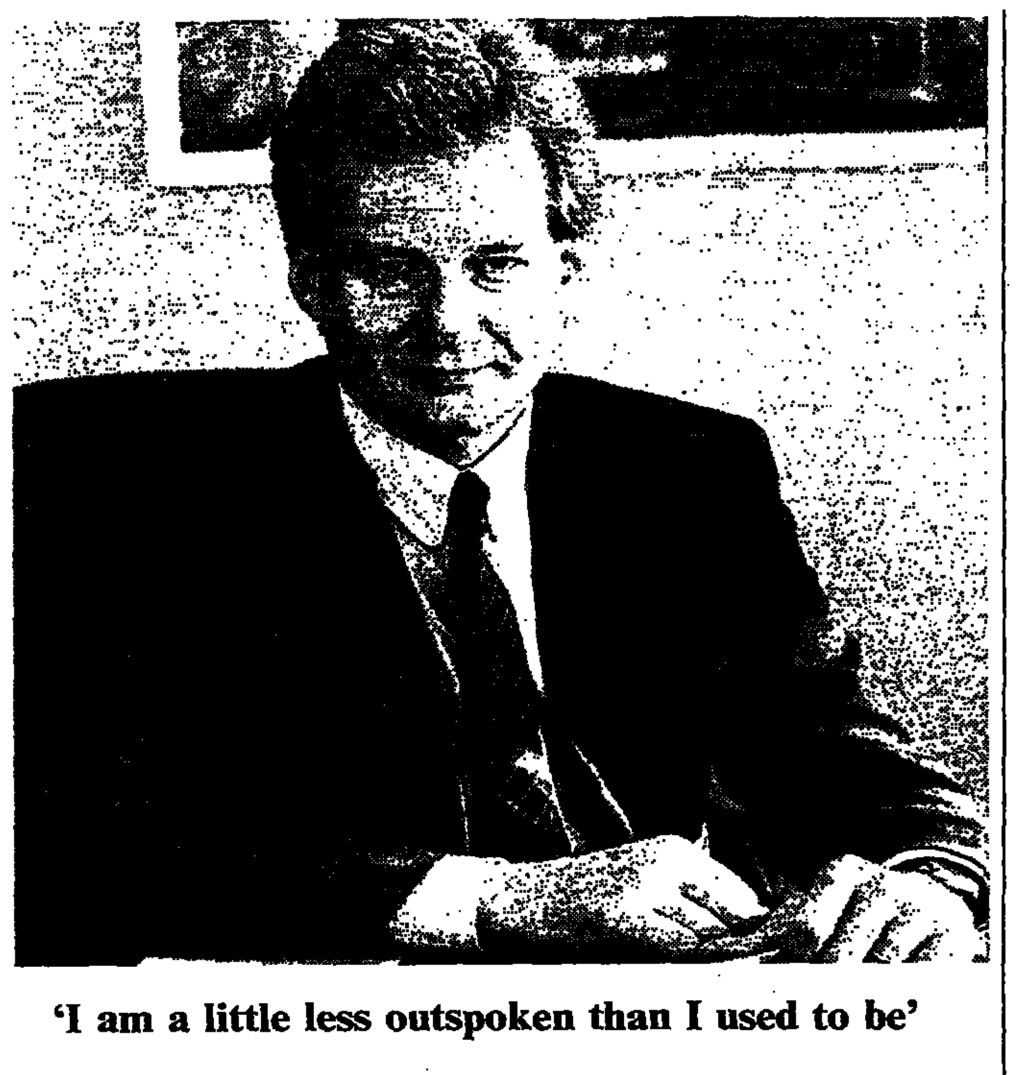
4pm prices January 4

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

MONDAY INTERVIEW

Unruffled chairman of the club

Heinrich Weiss, head of Germany's main employers' association, speaks to
David Goodhart



'I am a little less outspoken than I used to be'

A couple of hours spent with Mr Heinrich Weiss does not send one out into the Düsseldorf night worrying about the state of German industry. The new 48-year-old head of the Bundesvervand der Deutschland Industrie (BDI), Germany's most important employers' association, surveys his new constituency with a contentment that sometimes verges on the complacent.

And why not? Germany is the strongest economy, and most successful exporter, in Europe. Most sectors are booming, helped by the newly opened market in east Germany. In west Germany this year gross corporate profits are expected to top DM650bn and employment will hit a new post-war record of 28.8m.

To many outsiders, especially from Britain, the agonised "Standort Deutschland" debate of three years ago about high costs and inflexibility always seemed rather overdone when set against Germany's structural advantages: consensual industrial relations, excellent training, and a system of ownership which encourages "long-termism".

Nevertheless Mr Weiss's sanguine views are a little surprising given that he became known, during that debate, as an impatient critic of Germany's sluggish corporatism. The young Mr Weiss, who took over the family steel plant manufacturing group at 29, symbolised Chancellor Helmut Kohl's new Germany of the 1980s – modern, energetic and untrammelled by the past. But he was never shy of criticising his own political friends.

In an interview with the FT in 1988 he complained that Chancellor Kohl's centre-right government was dragging its heels on promised structural reforms and said most big companies were considering closing plants in Germany and opening up in the US or UK.

Looking at more or less the same facts three years later from the political pinnacle of German industry Mr Weiss, understandably enough, is condemned to draw a more favourable balance.

It is true, he smiles, "I am a little less outspoken than I used to be". He sees some real progress in the modest recent tax reductions and believes large companies, such as Siemens, are also more aggressive than they used to be. Even the industrial take-off in east Germany is, contrary to the view of many sceptics, on schedule.

The "Standort Deutschland" debate may have been forgotten in the recent buoyant years but some of the problems do remain: "Look at our hours and wages and high sickness rates, we're too comfortable." He hopes that the integration of east Germany may help to break up arthritic structures in west Germany through, for example, promoting regional wage bargaining and forcing a reduction in subsidies.

But he dismisses anxieties about the recent wave of concentration among larger German companies, which some analysts believe is an unhealthy substitute for international expansion. And he does not share a fear that the recent sale of many family-owned *Mittelstand* companies could disturb the exporting bed-rock of German industry.

As for the cyclical debate about the power of the banks, "it's exaggerated". He cites the apparent inability of Deutsche Bank to protect the German tyre company Continental from Pirelli's advances.

That is not something that Mr Weiss welcomes. With his softly-spoken charm and cosmopolitan glamour-boy image – big cigars, love of motor racing and pilot's licence – he does not fit the old stereotype of the dull German businessman. But in one thing he remains thoroughly German: he abhors the Anglo-American system of contested takeovers.

He admits that many of the measures designed to prevent takeovers, such as the 5 per cent ceiling on voting shares, are designed to give managers a quiet life. "But looking at the bad example of corporate raiders in the US our system is preferable," he says, and adds that there is no "middle way" which would widen the scope for contested takeovers without also allowing the abuses.

As a member of the supervisory board of Feldmühle Nobel (FN) he had a close-up view of one of Germany's rare contested bids and did not like it. Veba, which initially took control of FN decided to sell it on to Sweden's Stora group at such a price that some form of asset-stripping is inevitable.

But a wave of foreign takeovers is not likely, he believes, partly because the rate of return in German public companies remains low thanks to high costs and high taxes (return on sales in his own company is about 2.5 per cent). Mr Weiss also seems to believe foreign takeovers are unlikely because outsiders "do not understand the *Mitbestimmung* (co-determination) system".

Mr Weiss's lack of sympathy for a takeover free-for-all may have something to do with his membership of an unbroken family business dynasty. His great-grandfather founded the forging works which has today become Schloemann-Siemag (SMS) with sales of DM1.8bn, mostly outside Europe, and 7,000 employees. Mr Weiss himself took over Siemag in 1971 and in 1973 merged it with the MAN subsidiary Schloemann.

MAN has 51 per cent of the equity but the Siemag Weiss foundation enjoys effective control. Foundation controlled companies have been criticised for protecting weak managements – especially after things went badly wrong at Krupp – but SMS, like Bosch and Bertelsmann, shows that foundation ownership can work.

The acquisition of Battenfeld in 1977 was not a success but Mr Weiss established SMS's name in 1984 after winning a DM1bn contract for a hot-rolling mill in China. He remains a keen advocate of trade with China and believes that after the current period of consolidation Peking will soon be spending its foreign currency more freely.

To critics, however, Mr Weiss remains – liberal rhetoric and international experience notwithstanding – a member of the heavy-industrial Ruhr club. That club of business families (Weiss is himself related to the Flick dynasty), managers, bankers and politicians, is, so critics claim, the heart of Germany's competition-restraining corporatism.

But Mr Weiss seems to have offended some members of that club because, in spite of the patronage of Chancellor Kohl, his attempts to enter the Bundestag as a Christian Democrat have been thwarted. Instead, he has become an advocate of political engagement by businessman and as chairman of the CDU's economic council, 1983-88, he developed a low opinion of economic competence in Bonn.

Partly because of the low business-politics interchange in Bonn, the BDI does carry clout in the capital. So what will Mr Weiss be saying on "the two key issues", Europe and east Germany? He is optimistic about European business but, naturally, strongly opposed to EC protectionism and insists too that "we must say no to French-style centralised industrial politics".

He is wary too of EC red tape citing the case of company reporting regulations which will effect 3.5m EC companies (400,000 in Germany alone) while only 1,500 Japanese companies and 14,000 US companies face similar publishing requirements.

Mr Weiss is cautious about monetary union ("I would not dare name a year for its completion") and says that stability should be the goal of all national central banks before integration is even attempted.

On east Germany he is blandly optimistic, quoting the DM3bn in investment already in progress and the growth of small companies. Mr Weiss himself sits on the board of the east German heavy machinery group SKET which has lost most of its east bloc trade and has costs 50 per cent higher than its western competitors.

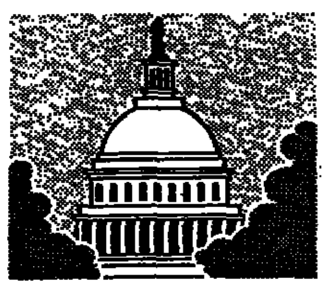
He supports the proposal for a lower corporate tax zone in east Germany – a maximum of 45 per cent – and also believes that the state must take over all the debts and liabilities of east German companies before they are sold.

Both views are opposed by his own party, so he is clearly keen to establish his independence from the CDU during his probable four-year term as BDI president. None the less, he seems destined to replace the assassinated Deutsche Bank chief, Mr Alfred Herrhausen, as Chancellor Kohl's closest confidant in industry.

PERSONAL FILE

1942 Born in Berlin. Studied electronic engineering in Munich and Braunschweig.
1971 Aged 29, takes over family firm Siemag AG.
1974 Becomes first chairman of Schloemann-Siemag.
1983-88 Vice-president of the German Association of Machine and Plant Builders.
1983-88 Chairman of CDU economic council.
1990 Head of BDI.

Shades of grey over the Gulf



MICHAEL PROWSE
on America

When Mr James Baker, the US secretary of state, meets Mr Tariq Aziz, the Iraqi foreign minister, in Geneva on Wednesday, should he offer incentives in the hope of bringing about a peaceful resolution to the Gulf crisis?

The official White House line is certainly not. There should be no concessions of any kind because Iraq has brutally annexed a peaceful neighbour, committing unspeakable atrocities in the process. The world has united in condemning this flagrant breach of international law. Iraq must therefore withdraw unconditionally within the timetable set by the United Nations. If it does not, the US-led coalition will be more than justified in unleashing its awesome military power. The Baker/Aziz meeting is thus no more than a last chance for Iraq to confront reality.

This rigid line may not result in the hoped for withdrawal by President Saddam Hussein. It could instead lead to a bloody war and the sacrifice of thousands of young lives. The US, therefore, must be very certain that this degree of rigidity is really justified. But is it?

The US and its partners must concede that they bear some responsibility for events in the Gulf. They, after all, were instrumental in helping Mr Saddam amass the arsenal of weapons that made annexation of Kuwait so easy. Days before the invasion, moreover, Mr Baker's subordinates were sending equivocal signals which seemed to suggest that the US would not intervene in an Arab border dispute.

Western nations also bear a heavy responsibility for the underlying instability of the region. The original division of the area was arbitrary and resulted in an exceedingly unfair distribution of oil, the region's only valuable natural asset. Fabulously wealthy Gulf states such as Kuwait then aggravated the injury by simply basking in their riches: they lived lavishly and did little to help foster the economic development of their poor neighbours. None of the states, moreover, is a democracy and none has respected western liberal standards. By the region's own lights, Mr Saddam's decision to help himself to Kuwait's oil was not extraordinary.

But, sceptics will argue, this misses the point. The US has piled troops and weapons into the area because of the strategic importance of its oil and because Iraq, hell bent on acquiring nuclear weapons, will soon become an even more formidable foe. Kuwait is thus almost an irrelevance: the issues that count are oil and Iraq's military muscle.

Neither argument is powerful enough to justify a rigid negotiating stance that could result in a bloodbath. Even if Mr Saddam kept Kuwait he would be only one large oil producer among many, including Saudi Arabia and the Soviet Union. If he tried to push prices too high, he would only provoke recession, conservation and development of alternative emergy sources. Like other suppliers, he would have an interest in maximising his long-term oil revenues. Oil would thus remain available at reasonable prices.

In any case, it is hypocritical of the US to express worries on this score when successive Republican administrations have made no serious effort to develop a coherent energy policy and when petrol is sold to US motorists at prices which in Europe and Japan are considered irresponsibly low.

The case over the Iraqi nuclear threat is no more convincing. Viewed objectively, it is not entirely unreasonable for an Arab nation to attempt to acquire military means on a par with those already enjoyed by Israel. Iraq's arsenal needs to be balanced, perhaps by the long-term presence of an international force, but it does not justify an unduly dogmatic stance by Mr Baker.

A final ground for flexibility in Geneva is the sheer human injustice of war. The comfortable classes in Washington, Bonn and Tokyo should reflect on the composition of the forces assembled in Saudi Arabia. As in any war, those at risk are principally the young. But in a crisis that has implications for the world as a whole, it is hard to see why the bulk of those in danger are Americans. It is harder still to justify the fact that nearly 30 per cent of the outsized US force is black, although this is a natural consequence of relying on a volunteer army in a manifestly unequal society. The civilised world should not be relying so heavily on disadvantaged US minorities.

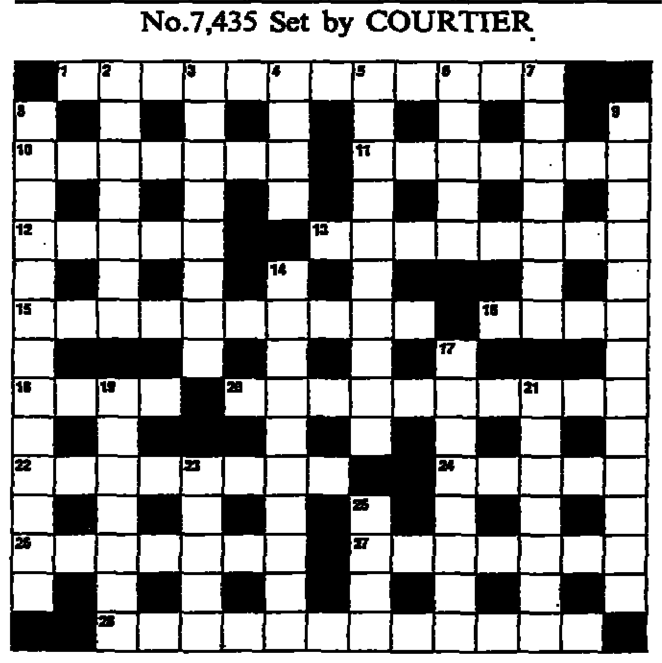
For all the above reasons, I hope Mr Baker lives up to his reputation as a deal maker on Wednesday. But he cannot offer Iraq too generous an incentive to withdraw from Kuwait. The single most important justification for the US hard line has been to deter future acts of aggression. With the cold war over, President George Bush rightly wants to create a "new world order" in which weak nations need not fear their stronger neighbours. He is prepared to risk sacrifices today in order to protect future generations.

The US and its allies would thus be wrong to offer significant territorial concessions. Iraq cannot be permitted a semi-withdrawal. But if Mr Saddam agrees to pull out completely, it would seem reasonable to offer a wide-ranging conference to discuss the region's intricate problems. The US and its allies, of course, should not make any promises, merely offer an objective review of long-standing grievances. Such a conference would certainly be convened in the aftermath of a bloody war. Recognising that in the real world, nothing is ever black and white, it should also be available as part of a peaceful solution to the crisis.

JOTTER PAD

CROSSWORD

No.7,435 Set by COURTIER



ACROSS
1 Pressured, like a beaten favourite? (5,3,4)
10 The beast, she has returning US soldier in a lock! (7)
11 Endure broken ground round the east (7)
12 I sit beside Reagan; yes, an odd turn of fate (5)
13 Rose as century finished (8)
15 Spiritual guides for the mob? (10)
16 Port – modern measure (4)
18 State appears in all but a half (4)
20 Remove authority from sick person, having stirred tea (10)
22 Rearranged pot in rush (8)
24 Flower material (5)
26 One of a pair that takes a view (7)
27 Tale about one on an emotional high (7)
28 The appear to be neater in rest (12)

DOWN
2 No ridge turns black (7)
3 Always before start of year, 24 hours is usual (8)
4 The job question mostly (4)
5 One who is saddled with skills, or vice versa (10)
6 Temporise over a boundary (5)
7 From a headless deed is
8 Group of skilled bowmen – one more than Cole's band (6,7)
9 Celebration to confuse lodge before northern merger (6,7)
14 Risk 50/50 or become an officer of state (10)
17 I would come back and strive to seize goods (8)
19 Gamesman let in, he follows at first (7)
21 Studio that is put in later, perhaps (7)
23 Special view of an angle (5)
25 Flat-topped hill is the same but different (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 19.

Solution to Puzzle No.7,433

Prize pens for rising stars

IAN DAVIDSON
on Europe

Some years ago, when I was green in the ways of this old world, I was enjoying a pleasant lunch with a rising star of the French administration, who was not merely brilliant, but also female and charming. In short, an agreeable occasion, and a stimulus to my thirst for insights on the management of modern France.

My curiosity was soon rewarded. We were talking about this and that, and one of us must have said something interesting; for all at once she whipped out the largest, fattest, blackest fountain pen I had ever seen, and began taking cursive notes.

"O what a beauty," I said. "That is the largest, fattest, blackest fountain pen I have ever seen." "Yes," she replied, "isn't it? It's a Mc. Some people say they are not very well made, some people even say that they leak in aeroplanes, but I don't care. If you want to be a rising star of the French administration, you have to have one."

Observation soon confirmed what she said. Wherever I went, from the the Elysée Palace to the Hotel Matignon, from the Quai d'Orsay to the Quai de Bercy, every rising star of the French administration would display his (or her) Mc, as if it were a badge of office, the modern equivalent of a marshal's baton.

Your Whitehall mandarin may wield a utilitarian ball-point, but not your French Enarque. In press conferences and in seminars, in restaurants and in ministerial meetings, for taking notes and for drafting treaties, the essential accessory is always and everywhere a Mc: and the larger, the greater the implied promise of future advancement. To write with a Parker is somewhat unconventional, to use a Waterman distinctly raffish; for the fully-equipped rising star of the French administration, only the Mc will do.

There is only one drawback to these cigar-sized monsters: their price is even greater than their symbolic significance. The prevalence of the Mc is thus yet another indirect confirmation of the left-wing thesis, that despite all the claims of liberté, égalité and fraternité, the higher echelons of the French administration remain the privileged playground of the middle classes.

There is, however, one way to secure a Mc without mortgaging one's grandmother or robbing a bank, and that is to win a prize in France's annual spelling championship. Launched in 1985 by Bernard Pivot, the dapper presenter of a long-running TV books programme, these Championnats d' Orthographe quickly caught on, and have each year broken new records for the number of competitors.

Last year's championship including more than 60,000 from 90 foreign countries. In each of the last two rounds, a dictation of fiendish difficulty, read out by Bernard Pivot, was broadcast live on French peak-time television, and relayed to francophone countries across the globe. Thanks to generous sponsorship from television and travel companies, the winners walked off with air tickets and improving dictionaries. In addition, the runners-up were rewarded with a Parker fountain pen; but the best got a Mc.

It is a curious event, and typically French. In Britain, I dare say, the dictation has no doubt long vanished from the repertoire of the pedantic schoolroom. In France, however, the dictée remains a characteristic instrument of the school-master's pitiless authority; since the number of possible errors is much greater than the number of possible marks, it is easy to score zero, and to be suitably humbled.

This refined form of quasi-intellectual torture should leave national scars; the Championnats tell a different story. I went along to a semi-final a couple of years ago, and found myself inadvertently drafted into taking part. As each tricky word or treacherous phrase was read out, the competitors reacted with appreciative sighs or suppressed waves of laughter. They were loving it; they might have been in some idyllic examination room, once more on the threshold of an ideal diploma.

So it is not surprising that a simplification of French spelling, drafted last year by the Académie Française and approved by the government, has precipitated a storm of controversy. Every day the batch of intellectuals, most of whom oppose the changes.

Their conservatism is curious, because French spelling is notoriously wild, while the proposed changes are minimal. The circumflex accent on i and u will normally be eliminated, the hyphen will be suppressed in a number of compound words, and there are a few other changes too complicated for foreigners to understand.

All told, only 0.2 per cent of French words would be affected, and 90 per cent of these changes would be the loss of the circumflex. So it is bizarre to read passionate appeals in defence of the circumflex, as if it were an endangered species.

Strangest of all, is the role of the government in all this. The prime minister launched the reform process, he endorsed the proposed reforms, and had them published in the Official Journal of the French Republic. Yet he disowned any claim to legislate on the French language, which he said belonged to its users.

In the meantime, French school children will continue to learn the old spellings until official instructions are circulated by the education ministry. Even then, the new spellings will only be introduced gradually, starting in the youngest classes. So it could well be 10 years or more before the new spellings are completely official; until then, the old and the new will co-exist side by side. It seems a crazy result; is it worth it?

Personally, I agree with the conservatives: for me an abime would not be an abyss, a voûte would not be a vault without its little hat. But then, I only won a Parker; I want a chance at a Mc without having to

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● Charterhouse Bank	14	Meghraj Bank Ltd	14		
Citibank NA	14	McDonnell Douglas Bnk	14		
City Merchants Bank	14	Midland Bank	14		
Clydesdale Bank	14	Mount Banking	14		
Comm. Bk. of London Plc	14	Nat Bk. of Kuwait	15		

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